BANCA PROGETTO

2022

ANNUAL REPORT

Registered Office and General Management in Milan
Via Bocchetto 6 – 20123 Milan

Translation from the Italian original which remains the definitive version

Contents

Corporate bodies

Board of Directors

Chairman	Carlo Garavaglia
Deputy Chairman	Mario Adario
Chief Executive Officer	Paolo Fiorentino
Directors	Liliana Fratini Passi Francesco Mancini Stefano Mazzoli Italo Vitale

Board of Statutory Auditors

Chairman	Marco Reboa
Acting Auditors	Laura Braga Maurizio Parni
Alternate Auditors	Gianluca Bolelli Pietro Pagnozzi

Independent auditors KPMG S.p.A.

CONSOLIDATED
FINANCIAL
STATEMENTS
2022

Part I —
REPORT ON OPERATIONS

INTRODUCTION

These consolidated financial statements prepared by Banca Progetto S.p.A. ("Banca Progetto" or the "Bank") include the vehicles Progetto Quinto S.r.l. Progetto PMI S.r.l and Progetto PMI 2 S.r.l. from which the Bank acquired the Junior notes.

Having an investment in these vehicle companies is therefore not considered a condition for consolidation. In fact, there is a requirement to include among the subsidiaries of a company also those companies or entities that have a specific purpose (i.e., "vehicles" or "SPVs") over which there is effective control. In this regard, based on IFRS 10, an investor controls an investee entity if and only if it simultaneously has power over the investee entity, exposure or rights to variable returns deriving from the relationship with the investee entity and the ability to exercise power over the investee entity to affect the amount of its returns. In relation to these points, taking into account the structuring of the securitisation indicated above, the Bank is of the opinion that it falls into the circumstances envisaged by IFRS 10.

The economic and sector scenario

During 2022, the Italian economic system was still subject to various stress factors linked, among other things, to the ongoing crisis between Russia and Ukraine and the change of government following the resignation of Prime Minister Mario Draghi, but it still succeeded in maintaining a pace of sustained growth. Italian GDP, which in the Bank of Italy's estimates published prior to the start of the conflict was expected to grow by 4% on 2021, recorded actual growth of 3.9%, confirming the resilience of the post-pandemic recovery in our country. Compared with the rest of Europe, Italy's growth in 2022 was again above average for the Eurozone's +3.4%, testifying that our country system is capable of greater reactivity.

The actions implemented by the Draghi government were, in fact, multiple and oriented towards the large-scale support of families and businesses, as well as rigour in public finance. It is worth mentioning:

- a policy of reforms and specific actions that have made it possible to achieve the objectives set by the European institutions for the release of funds connected to the 2022 tranches of the PNRR;
- the protection of families with policies to contain rising energy costs;
- business support through a new Temporary Framework aimed at mitigating the impacts on businesses of the energy and raw materials crisis linked to the conflict between Russia and Ukraine. This measure will facilitate access to credit for SMEs until the end of 2023.

The economic scenario in Europe was strongly influenced in 2022 by the launch by the European Central Bank of a restrictive monetary policy which, as an initial effect, brought interest rates above the zero threshold for the first time since the beginning of 2016. This policy, aligned with that implemented by the US Federal Reserve, albeit with a short time lag, was necessary to counter inflation which was leading to price increases close to 10% in both Europe and the United States. At the end of 2022, the European Central Bank's benchmark rate reached 250 basis points, with further increases announced for 2023.

On the basis of this restrictive monetary policy and geopolitical uncertainties, the majority of economic and financial operators clearly expect less marked growth, perhaps even a recession based on some forecasts for 2023, both in Europe and in the United States.

However, Italy seems to have had a lower impact as shown by the estimates of the Bank of Italy and other international organisations (e.g., the International Monetary Fund, European Commission, OECD, etc.) for the entire three-year period 2022-2025. The Bank of Italy estimates that Italy's GDP could grow by around 0.6% in 2023. This estimate may still appear pessimistic if we consider that on several occasions the Bank of Italy itself published gradually improving estimates between the end of 2022 and the beginning of 2023. The factors underlying these improvements are certainly verifiable from some specific aspects that the Italian economic system is benefiting from, namely:

- a strong boost in exports thanks to the strength of the "Made in Italy" brand. According to the estimates published by SACE, in 2022 cross-border sales of Made in Italy goods posted a marked growth (+19.9%), coming in very close to Euro 625 billion;
- a return of tourism to pre-pandemic levels, thanks to both domestic and foreign demand;
- a recovery by the trade fair system thanks to sectors such as the fashion-luxury system and design;
- the timely launch of a policy of energy independence from Russia to counter the risk of supply interruptions on the one hand, and higher prices of gas and other energy products on the other.

The Italian Small and Medium-Sized Enterprises (SME) system continues to drive the economic recovery, also thanks to the financial support measures introduced by the Temporary Framework on State Aid which extended to 2022 the initiatives introduced in 2020. In fact, in 2022, SMEs continued to benefit from numerous public subsidies and guarantees aimed at supporting the need for credit for both current liquidity and capital investment, albeit with some changes introduced at the end of June 2022 to take into account the effects of the Russia-Ukraine war. In 2022, the Central Guarantee Fund alone supported with its guarantee the disbursement of new loans to SMEs amounting to around Euro 54 billion.

The total stock of corporate debt increased, also as a result of these measures, at least in the first half of 2022. Subsequent to the launch of a more restrictive monetary policy by the ECB, a more moderate growth trend was observed, also in consideration of the higher financial charges borne by companies due to the rise in interest rates. On the other hand, it is possible to observe, especially for SMEs, a downward trend in their debt/equity ratios. A better economic performance by companies, which started in 2021 and continued in 2022, has in fact created a better level of capitalisation for these two types of businesses. Overall, Italian businesses is even less indebted than the European average. In fact, it is worth noting that corporate bank debt compared with GDP stood at 62 basis points at the end of the third quarter of 2022, slightly down on the previous measurement, whereas the same survey on the Eurozone average stood at 93 basis points, a slight increase on the previous one.

Household consumption increased during 2022, mainly during the third quarter. Towards the end of the year, household spending went down slightly; the government has introduced measures to control the prices of energy goods and support disposable income, especially for the less well-off segments of the population, mitigating the impact of inflation on purchasing power. The propensity to save continued to decline, reaching pre-pandemic levels.

Significant events that took place in 2022

During January, the Bank received from the Supervisory Authority notification of the start of the procedure for determining the minimum requirement for liabilities subject to bail-in (MREL requirement), which was then confirmed in the following months. This requirement should be equal to 10.5% in terms of total risk exposure amount (TREA) and 3% in terms of leverage ratio exposure (LRE).

Following the growth in size of the Bank and in consideration of the further growth expectations included in the business plan, a rental contract was signed in February for a new office in Milan in via Bocchetto 6, transferring to the new premises in September.

As part of the funding activity on the Italian market through deposit accounts, a collaboration agreement was finalised in March with Fineco Bank S.p.A. in order to offer time deposits to customers of this bank directly from their home banking. This agreement, which is part of the strategy of diversifying funding sources included in the business plan, has allowed the Bank to exploit an additional channel for taking deposits from retail customers, in addition to those already in place.

The shareholders' meeting held on 28 April 2022 confirmed the appointment of Liliana Fratini Passi as an independent director. She was already in office as she was co-opted onto the Board during the last quarter of 2022. The same meeting confirmed the appointment for the three-year period 2022-2024 of the members of the Board of Statutory Auditors, namely Marco Reboa as chairman, Laura Braga and Maurizio Parni as acting auditors and Gianluca Bolelli and Pietro Pagnozzi as alternate auditors.

Starting in November 2021, the Bank was subject to inspections by the Bank of Italy and the FIU, which were concluded in the first quarter of 2022; on 30 May 2022, the Authority announced the results of these inspections, raising some critical areas in the Bank's organisation and control system, particularly in the field of anti-money laundering. The Bank promptly replied to the Authority, giving its considerations on the matters raised. We also drew up a detailed action plan in response to the Bank of Italy's observations with an indication of when the actions would be implemented. At the date of preparation of these financial statements, some of these actions have already been implemented, while others are in progress.

At the beginning of June, a securitisation called "Progetto PMI S.r.l." was structured in co-arrangement between Banca Progetto and BNP Paribas with a portfolio of loans disbursed by the Bank to small and medium-sized Italian enterprises (SMEs) as the underlying, guaranteed by the Guarantee Fund and originated directly by the Bank. This operation was completed with the issue of two classes of securities, the senior tranche for Euro 500 million subscribed by a conduit emanating from BNP Paribas and the junior tranche of Euro 131 million fully subscribed by the Bank.

In July, the Cream app was launched to support new "instant lending" product, which allows customers to access the world of credit in a fast and innovative way. Cream allows users to obtain instant loans from Euro 300 to 3,000, in full autonomy through their smartphone, thanks to the use of credit automation platforms that take advantage of open banking and machine learning tools to estimate consumers' credit scores.

In September, with the application in Italy of the CRD V regulation on investment holding companies that include a bank, BPL Holdo Sarl, the investment holding company which holds 99.82% of the Bank's shares, lodged a request for exemption from the requirement to become a parent company pursuant to the Consolidated Banking Act with all the related regulatory obligations in terms of management control and coordination. This request for exemption was approved at the beginning of March 2023.

Following the issue in April 2022 of the "Supervisory expectations on climate and environmental risks" and recommendations on the integration of such risks, among others, in the business model and corporate strategy, already in the first half of 2022, the Bank launched a detailed initiative to establish a framework within which to lay down its position on the issue of ESG, at the same time defining guidelines to respond to the Bank of Italy's expectations as part of a strategy and consequent plans for adaptation. Strategic initiatives were set out in the "Sustainability Plan" approved by the Board of Directors on 26 October 2022 and subsequently developed in an implementation master plan with a three-year horizon, as requested by the Bank of Italy, which was approved by the Board of Directors in February 2023.

At the beginning of December, a second securitisation called “Progetto PMI 2 S.r.l.” was completed, again with an underlying portfolio of loans disbursed by the Bank to SMEs with backing from the Guarantee Fund. This operation was completed with the issue of two classes of securities, a senior tranche for Euro 500 million subscribed by a conduit emanating from Banca Intesa S.p.A. and a junior tranche of Euro 170 million fully subscribed by the Bank.

The fourth survey on the corporate climate carried out with the support of a specialised consultancy firm was completed in December; the Bank obtained “Great Place to Work” certification for the fourth consecutive year, after being ranked in 2022 as one of the 60 best companies to work for in Italy. This recognition confirms the particularly positive climate in which the Bank's growth is taking place: excellent performance combined with sustainability of results over time.

On 21 December 2022, the Board of Directors approved the Budget and the Risk Appetite Framework for 2023. In line with the strategic orientations of the 2022-2024 business plan, the annual planning document has revised upwards the objectives in the Corporate segment, consolidating the growth path already undertaken by the Bank as a specialised operator that makes extensive use of fintech solutions.

On 22 December 2022, the sentence of the Constitutional Court was published which declared unconstitutional, and consequently removed, the part of the "Aiuti" decree of July 2021 which limited the applicability of the "Lexitor" sentence - to protect consumers - only to loans disbursed after July 2021. This *de facto* ruling sanctioned the consumer's right, in the event of early repayment, to be reimbursed for all expenses incurred during the stipulation of a loan agreement, regardless of whether these expenses were "upfront" or "recurring".

Using a prudent approach to this issue, the Bank made a provision for risks and charges of Euro 5 million, in addition to a further Euro 0.5 million already made during the year, to take into account the potential liabilities from expected terminations of salary or pension-backed loan agreements or potential litigation. The Bank will carefully monitor events as they evolve, as well as its approach in a market and legal context which remains uncertain.

At the end of December 2022, the majority shareholder BPL Holdco Sarl made a non-refundable payment towards a future increase in capital for a total of Euro 10 million to support the Bank's growth, which was higher than the 2022 budget estimates. The Bank closes 2022 with a net profit of Euro 52.0 million and a CET 1 ratio of 17.2%, significantly above the SREP requirements imposed by the Supervisory Authority. The year-end liquidity ratios also show the solidity of the institution, with a liquidity coverage ratio (LCR) of 267% and a net stable funding ratio (NSFR) of 113.3%.

Summary of securitisations

The main characteristics of the securitisations outstanding at the end of 2022 are described below. Note that the vehicle Lake Securitisation S.r.l. was liquidated in December 2022.

In 2022, Banca Progetto completed two securitisations with underlying portfolios of loans granted by the Bank to SMEs backed by the Guarantee Fund.

Operation Progetto Quinto (formerly Vidal S.r.l.)

The structure of the operation involved the purchase of receivable portfolios of salary-backed loans originated directly by the Bank through a securitisation vehicle called Vidal S.r.l., which was subsequently renamed Progetto Quinto S.r.l.

This operation was structured in co-arrangement between the Bank and BNP Paribas, which also acted as lead manager and swap counterparty, and in May 2021 the senior note was placed on the institutional investor market.

The senior tranche of the transaction was rated Aa3 (sf) by Moody's Investor Service and AA (low) (sf) by DBRS, a rating confirmed following the surveillance activity of the two rating agencies also during 2022. It was admitted to trading on the ExtraMOT PRO, the professional segment of the ExtraMOT multilateral trading facility managed by Borsa Italiana S.p.A. The repayment structure of the senior notes is of the amortising type, starting from the first payment date.

The operation obtained "STS" status, an acronym used in European securitisation regulations for transactions that are "Simple, Transparent and Standardised". These quality criteria have also been analysed by Prime Collateralised Securities (PCS) as a third-party verifier.

The value of the loan portfolio underlying the operation at 31 December 2022 is approximately Euro 247.5 million, while the nominal value of the senior and junior notes amounts to Euro 204.2 million and Euro 53.1 million respectively.

The Bank was appointed by Progetto Quinto S.r.l. to act as servicer for the securitisation.

The vehicle Progetto Quinto S.r.l. took out an interest rate swap (IRS) contract to exchange the variable cash flows of the senior note into fixed cash flows in order to hedge against the interest rate risk on the transaction.

Operation Progetto PMI

The first operation, structured in co-arrangement by Banca Progetto and BNP Paribas, was finalised in June 2022 through the vehicle company Progetto PMI S.r.l.

The securities were issued as "variable funding notes" in two classes: a senior one for Euro 500 million, subscribed by a conduit emanating from BNP Paribas, and a junior one, fully subscribed by the Bank, for Euro 131 million.

The Bank also has the right, as part of the overall structure of the operation, to assign further loans to the vehicle company within a revolving period that will end in December 2023.

The portfolio involved in the operation, amounting to Euro 625 million at the time of issue, was representative of the Bank's production mix at the time and of the guarantee provided by the Guarantee Fund, equal to 87%.

The senior tranche is unrated and not listed on any regulated market.

The structure of the operation provides for a revolving period up to the end of 2023; subsequently the repayment structure of the senior notes is of the amortising type.

The value of the loan portfolio underlying the operation at 31 December 2022 is approximately Euro 617 million, while the nominal value of the senior and junior notes amounts to Euro 500 million and Euro 131.3 million respectively.

The Bank was appointed by Progetto PMI S.r.l. to act as servicer for the securitisation.

Operation Progetto PMI 2

The second securitisation carried out during the year, with Intesa Sanpaolo as arranger, was finalised at the beginning of December 2022 through the vehicle company Progetto PMI 2 S.r.l.

The bonds were issued in two classes: a senior one for Euro 500 million, subscribed by a conduit emanating from the arranger Intesa Sanpaolo, and a junior one, fully subscribed by the Bank, for Euro 170 million.

The portfolio involved in the operation, equal to Euro 666.7 million at the time of issue, was representative of the Bank's production mix at the time and of the guarantee provided by the Guarantee Fund, equal to 83.5%.

The senior tranche is unrated and not listed on any regulated market.

The repayment structure of the senior notes is of the amortising type, starting from the first payment date.

The value of the loan portfolio underlying the operation at 31 December 2022 is approximately Euro 639.7 million, while the nominal value of the senior and junior notes amounts to Euro 477.1 million and Euro 170 million respectively.

The Bank was appointed by Progetto PMI 2 S.r.l. to act as servicer for the securitisation.

Summary of developments on lending and funding in 2022

Salary-backed loans

2022 was a year in which the salary-backed loans business recorded total volumes of Euro 171 million (+13% on 2021). The net increase in the stock of direct production during the year was Euro 73 million, up 13% compared with the end of 2021. At the end of 2022, loans in this segment amounted to Euro 626 million compared with Euro 566 million in 2021, including portfolios purchased from third parties in previous years, which in any case remain residual compared with the total stocks. The product distribution channel is represented, as in previous years, by the network of agents/brokers spread all over the country.

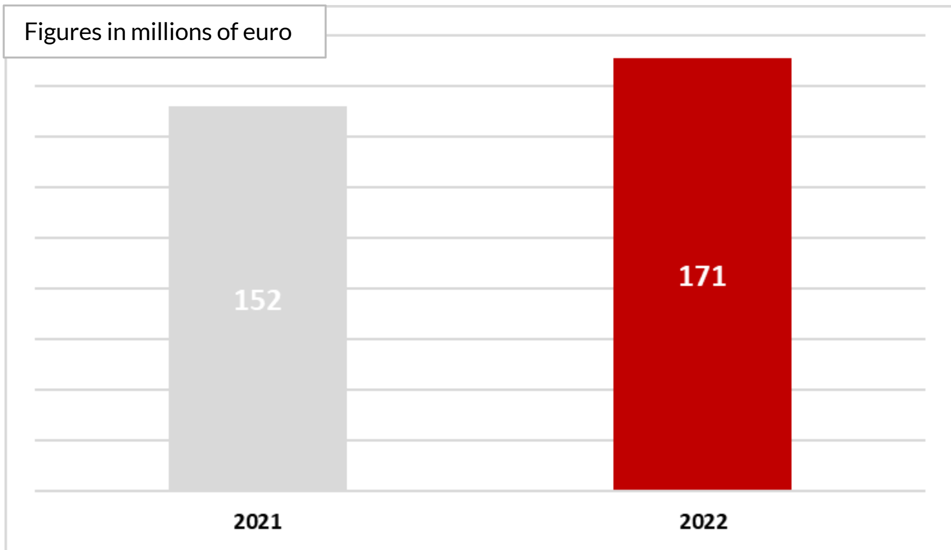
The overall portfolio at the end of 2022 is made up 86% of civil servants and pensioners; the other 14% includes loans to employees in the private sector. In terms of geographical breakdown, over 60% of the portfolio was disbursed in southern Italy, in line with the product's characteristics and typical market.

Total interest income on the product exceeded Euro 18 million, compared with a figure of Euro 16 million in 2021.

In 2022, write-backs on loans of Euro 0.2 million were recorded against impairment adjustments of Euro 0.8 million in 2021, following a change in the provisioning criteria to reflect historical trends in the product.

As mentioned previously, the sentence of the Constitutional Court was published in December, ruling on the application of the "Lexitor" sentence in Italy. This ruling led to provisions for risks and charges in 2022 amounting to a total of Euro 5 million, in addition to the provision for risks and charges already made, due to potential customer requests resulting from early repayments of loans, including prospective ones.

A graph with the new disbursements of the last two years is shown below.



Loans to SMEs

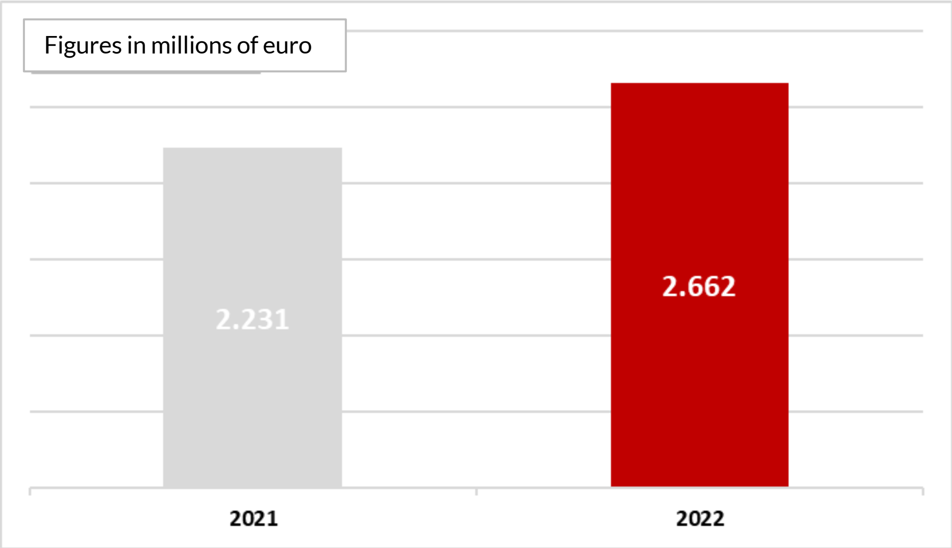
During the year, the SME loans segment, mostly backed by the Guarantee Fund and to a lesser extent by the SACE guarantee, recorded a significant increase in disbursements as a result of the strategic decision to develop and support businesses in our country. In 2022, new loans were disbursed for Euro 2,662 million, compared with Euro 2,231 million in 2021 (+19%). This result was achieved thanks to consolidation of the distribution channel made up of agents and brokers who operate throughout the country. With a view to partnership with the Bank, they have made it possible to reach and disburse loans to the Italian productive economy. The Bank has also strengthened its operational and commercial structures, consolidating its presence on the market.

The total portfolio at the end of 2022 comes to more than Euro 5.2 billion, most of which was disbursed in 2021 and 2022. In terms of a geographical breakdown, around 40% was disbursed to companies in northern Italy, while the remainder is divided almost equally between central and southern Italy.

Total interest income on these loans in 2022 amounted to Euro 215 million, compared with a figure of Euro 107 million in 2021. At the end of 2022 approximately 76% of the portfolio is floating rate linked to Euribor, while the other 24% is fixed rate.

During the year, impairment adjustments to loans in the SME portfolio amounted to Euro 35 million (Euro 14 million in 2021), also thanks to the average coverage by the State guarantee of 83% of the total stock.

A graph with the disbursements of the last two years is shown below.


Figures in millions of euro
2.231
2.662
2021
2022

Purchase without recourse of VAT credits

During 2022, the Bank launched a product for the purchase without recourse of VAT credits of SMEs, achieving volumes of Euro 97 million and a balance at 31 December 2022 of Euro 64 million. Total interest income on this product came to Euro 2.1 million, with impairment adjustments that are insignificant because of the type of loan.

Instant Lending to Private Individuals

During 2022, the Bank also launched a product for instant lending to private individuals, achieving volumes of Euro 3.3 million and a balance at 31 December 2022 of Euro 2.7 million. Total interest income on this product came to Euro 0.1 million, with impairment adjustments that are insignificant in relation to the outstanding stock.

Customer and institutional funding

2022 saw a significant increase in funding through all channels, which went from Euro 4,439 million at the end of 2021 to Euro 6,370 million at the end of 2022, which accompanied the growth in loans that took place in the same period.

In particular, deposits went from Euro 2,857 million to Euro 4,368 million, including those collected on the Italian market (Euro 2,765 million) and in Germany, Spain and the Netherlands (Euro 1,604 million). Within the Italian market, a part of this amount is represented by time deposits with institutional customers, which at the end of 2022 reached a total of Euro 519 million.

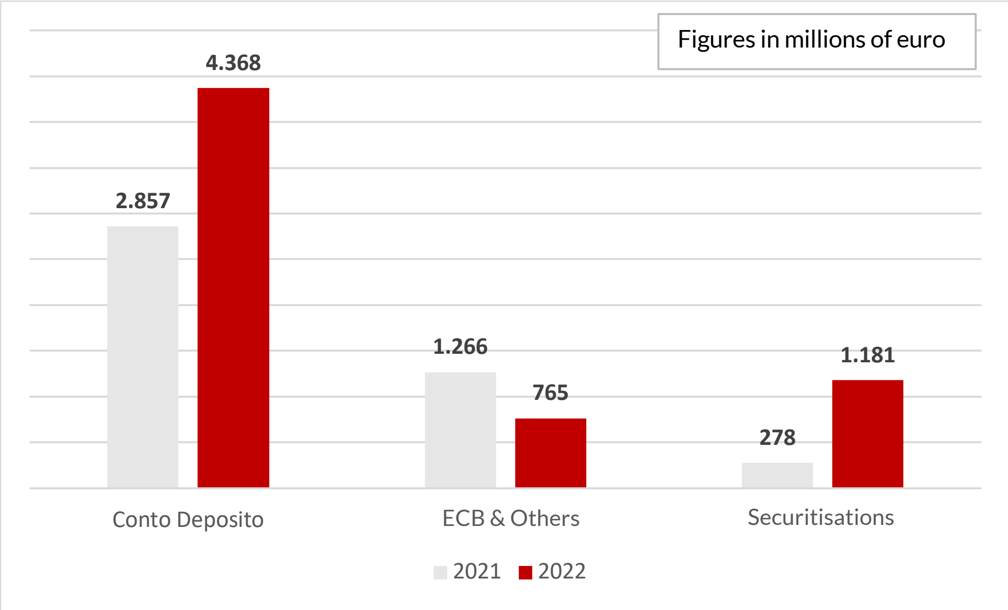
Funding through the Progetto Quinto securitisation reached Euro 203.8 million at 31 December 2022, corresponding to the amount of the senior note subscribed by institutional investors following its placement on the market in May 2021.

During the year, two securitisations were completed with underlying portfolios of loans granted by the Bank to SMEs backed by the Guarantee Fund, which made it possible to raise a total of Euro 977 million at 31 December 2022.

During the year, the Bank used the facilities of the ECB and, in particular, TLTRO III, PELTRO and Long-Term Refinancing Operations for a total of Euro 634 million at the end of 2022. During the course of 2022 and at the beginning of 2023 the Bank repaid PELTRO lines for a total of Euro 1.1 billion, replacing this source of funding with securitisations and deposits.

Other funding operations with underlying junior securities of the securitisations, amounting to Euro 131 million at 31 December 2022, complete the sources of funding used by the Bank.

The graph below represents the different sources of funding at the end of the last two years.


Figures in millions of euro
4.368
2.857
1.266
765
1.181
278
Conto Deposito
ECB & Others
Securitisations
2021
2022

The main aggregates in the consolidated statement of financial position

AGGREGATES IN THE STATEMENT OF FINANCIAL POSITION (euro/thousand)	31/12/2022	31/12/2021	Change	
			absolute	%
Cash and cash equivalents	48,257	218,081	(169,824)	-77.9%
Financial assets at amortised cost - Receivables due from banks	67,474	33,009	34,465	104.4%
Financial assets at amortised cost - Receivables due from customers	6,410,963	4,363,252	2,047,711	46.9%
Tax assets	10,727	5,052	5,675	112.3%
Hedging derivatives	16,259	1,098	15,161	ns
Other assets	154,934	23,554	131,380	ns
TOTAL ASSETS	**6,708,614**	**4,644,046**	**2,064,568**	**44.5%**
Financial liabilities at amortised cost - Payables due to banks	764,585	1,276,906	(512,321)	-40.1%
Financial liabilities at amortised cost - Payables due to customers	4,431,398	2,884,345	1,547,053	53.6%
Debt securities in issue	1,180,870	277,630	903,240	325.3%
Other liabilities	106,984	52,594	54,390	103.4%
Equity	224,747	152,551	72,196	47.3%
Equity attributable to non-controlling interests	30	20	10	50.0%
TOTAL LIABILITIES AND EQUITY	**6,708,614**	**4,644,046**	**2,064,568**	**44.5%**

Cash and cash equivalents

(euro/thousand)	31/12/2022	31/12/2021	Change	
			Absolute	%
Cash	1	1	-	-
Due from Central Banks	42,336	181,198	(138,862)	(76.6%)
Current accounts and deposits with banks	5,920	36,882	(30,962)	(83.9%)
TOTAL	**48,257**	**218,081**	**(169,824)**	**(77.9%)**

The balance at 31 December 2022, Euro 48.3 million, is mainly attributable to the cash on deposit with the Bank of Italy, as well as the cash on sight current accounts with other credit institutions.

Receivables due from banks

RECEIVABLES DUE FROM BANKS (euro/thousand)	31/12/2022	31/12/2021	Change	
			absolute	%
Due from Central Banks	39,097	23,021	16,076	69.8%
Current accounts and deposits with banks	18,148	9,988	8,160	81.7%
Guarantee margins	10,229	0	10,229	100.0%
TOTAL	**67,474**	**33,009**	**34,465**	**104.4%**

Receivables due from banks, Euro 67.5 million, are attributable to the mandatory reserve deposited with the Bank of Italy, as well as non-sight current accounts with credit institutions and guarantee margins for repurchase transactions on the junior securities of securitisations.

Receivables due from customers

RECEIVABLES DUE FROM BANKS (euro/thousand)	31/12/2022	31/12/2021	Change	
			absolute	%
Personal and salary-backed loans	617,442	552,152	65,290	11.8
Debt securities	498,935	501,403	(2,468)	(0.5)
Mortgages and loans	4,874,330	3,225,233	1,649,097	51.1
Impaired loans (NPE)	354,865	83,560	271,305	324.7
VAT credits purchased without recourse	64,360	-	64,360	n.s.
Other loans	1,031	904	128	14.2
TOTAL	**6,410,963**	**4,363,252**	**2,047,711**	**46.9%**

At 31 December 2022, the total amount of loans to customers of the Bank amounted to Euro 6,411.0 million, with a net increase of Euro 2,047.7 million compared with 2021. The growth in the stock of salary-backed loans continued with the product for assigning a fifth of salary or pension for pensioners and civil servants and payment delegations for private sector employees.

Personal and salary-backed loans grew by Euro 65.3 million compared with 2021; at the end of 2022 the total outstanding loans in this segment amounted to Euro 617.4 million.

Debt securities refer to the "held to collect" portfolio, which includes exclusively Italian government securities, with an average maturity of around 2.6 years, acquired with a view to efficient management of the Bank's liquidity.

The SME loans segment posted an increase of Euro 1,649.2 million, with a total stock disbursed at 31 December 2022 of Euro 4,874.4 million; the new loans disbursed in 2022 amount to a nominal of Euro 2,661.7 million compared with Euro 2,231 million disbursed in 2021.

Impaired loans, amounting to Euro 354.8 million and consisting mainly of mortgages and loans, increased compared with Euro 83.6 million at the end of 2021. The SME loans segment posted an increase of Euro 1,890.4 million, with a total stock disbursed at 31 December 2021 of Euro 3,225.2 million; the new loans disbursed in 2021 came in at a nominal amount of Euro 2,231 million and, as mentioned previously, almost doubled compared with the new loans disbursed in 2020.

Details of receivables due from customers

Status	31/12/2022			31/12/2021		
	Gross exposure	Gross exposure	Gross exposure	Gross exposure	Adjustments	Net exposure
Bad loans	72,146	(12,846)	59,300	18,216	(9,014)	9,202
Unlikely to pay exposures	161,495	(19,627)	141,868	34,904	(6,195)	28,709
Impaired past due exposures	162,786	(9,089)	153,697	49,570	(3,921)	45,649
Total impaired loans (NPE)	396,427	(41,562)	354,865	102,690	(19,130)	83,560
Performing loans excluding debt securities	5,570,721	(13,558)	5,557,163	3,786,961	(8,672)	3,778,289
Debt securities	499,142	(207)	498,935	501,856	(453)	501,403
Total performing loans	6,069,863	(13,765)	6,056,098	4,288,817	(9,125)	4,279,692
TOTAL	**6,466,290**	**(55,327)**	**6,410,963**	**4,391,507**	**(28,255)**	**4,363,252**

Details of receivables due from customers by type of loan are shown below, along with the related coverage ratio. We also show the gross exposure net of coverage by the Guarantee Fund (MCC or SACE) with the corresponding adjusted coverage ratio.

(euro/thousand)	Gross exposure	Adjustments	Net exposure	Coverage ratio	Gross exposure net of Guarantee Fund coverage	Adjusted coverage ratio
Bad loans:						
- Personal and salary-backed loans	469	(457)	12	97.4%	469	97.4%
- loans to SMEs	69,374	(10,929)	58,445	15.8%	10,945	99.9%
- exposures of the former Banca Lecchese	2,303	(1,460)	843	63.4%	2,303	63.4%
Total bad loans	**72,146**	**(12,846)**	**59,300**	**17.8%**	**13,717**	**93.7%**
Unlikely to pay exposures:						
- Personal and salary-backed loans	3,254	(468)	2,786	14.4%	3,254	14.4%
- loans to SMEs	158,241	(19,159)	139,082	12.1%	24,105	79.5%
- exposures of the former Banca Lecchese	-	-	-	-.	-	-
Total unlikely to pay exposures	**161,495**	**(19,627)**	**141,868**	**12.2%**	**27,359**	**71.7%**
Past due loans:						
- Personal and salary-backed loans	10,611	(1,708)	8,903	16.1%	10,611	16.1%
- loans to SMEs	151,836	(7,345)	144,491	4.8%	21,416	34.3%
- instant lending	186	(28)	158	15.1%	186	15.1%
- exposures of the former Banca Lecchese	153	(8)	145	5.2%	153	5.2%
Total past due non-performing loans	**162,786**	**(9,089)**	**153,697**	**5.6%**	**32,366**	**28.1%**
Total impaired loans (NPE)	**396,427**	**(41,562)**	**354,865**	**10.5%**	**73,442**	**56.6%**
Performing loans:						
- Personal and salary-backed loans	615,208	(222)	614,986	0.0%	615,208	0.0%
- loans to SMEs and financial intermediaries	4,881,713	(12,976)	4,868,737	0.3%	840,079	1.5%
- exposures of the former Banca Lecchese	5,822	(97)	5,725	1.7%	5,822	1.7%
- VAT credits purchased without recourse	64,387	(27)	64,360	0.0%	64,387	0.0%
- instant lending	2,692	(236)	2,456	8.8%	2,692	8.8%
- HTC securities	499,142	(207)	498,935	0.0%	499,142	0.0%
- other loans	899	-	899	0.0%	899	0.0%
TOTAL PERFORMING LOANS	**6,069,863**	**(13,765)**	**6,056,098**	**0.2%**	**2,028,229**	**0.7%**
TOTAL RECEIVABLES	**6,466,290**	**(55,327)**	**6,410,963**	**0.9%**	**2,101,671**	**2.6%**

Net non-performing loans at the end of December 2022 increased by Euro 271.3 million, going from Euro 83.6 million at the end of 2021 to Euro 354.9 million at the end of 2022. This was as a result of portfolio growth and physiological elements linked to the passing of time and the macroeconomic scenario which has changed profoundly compared with how it was at end of 2021, as mentioned already in the section on the "Economic and sector scenario".

Gross non-performing loans (gross NPE) amounted to Euro 396.4 million (Euro 102.7 million at the end of 2021), while provisions for impairment losses amounted to Euro 41.6 million (Euro 19.1 million at the end of 2021).

Gross non-performing loans increased by Euro 53.9 million to Euro 72.1 million, with impairment adjustments of Euro 12.8 million and a coverage ratio of 17.8% (49.5% in 2021, which reflected a different composition with a much lower proportion of guaranteed loans to SMEs). However, taking into account the guarantees issued by MCC and SACE, the adjusted coverage ratio calculated to take into account state guarantees is equal to 93.7% (the adjusted coverage ratio at the end of 2021 was 93.5%).

Gross unlikely to pay exposures amount to Euro 161.5 million with a coverage ratio of 12.2% (17.7% at the end of 2021). The adjusted coverage ratio is equal to 71.7% (66.2% at the end of 2021).

Gross non-performing past due exposures total Euro 162.8 million with a coverage ratio of 5.6% (7.9% at the end of 2021); excluding gross exposures covered by guarantees, the adjusted coverage ratio comes to 28.1% (21.6% at the end of 2021).

The coverage ratio on the entire non-performing loan portfolio at the end of 2022 stands at 10.5% (18.6% in 2021, again the proportion of guaranteed loans to SMEs was lower); taking into account the coverage of the Guarantee Funds, the adjusted coverage ratio is equal to 56.6% (51.5% at the end of 2021).

It should be noted that the portfolio stock of SME loans, which represents the majority of the Bank's loan portfolio, has a coverage by state guarantees of approximately 83% at 31 December 2022.

Details of receivables due from customers by staging are shown below, along with the related coverage ratio. We also show the gross exposure net of coverage by the Public Guarantee Fund with the corresponding adjusted coverage ratio.

(euro/thousand)	Gross exposure	Adjustments	Net exposure	Coverage ratio	Gross exposure net of Guarantee Fund coverage	Adjusted coverage ratio
Stage 1	5,251,692	(6,001)	5,245,691	0.1%	1,823,924	0.3%
Stage 2	818,171	(7,764)	810,407	0.9%	204,305	3.8%
Stage 3	396,427	(41,562)	354,865	10.5%	73,442	56.6%
TOTAL RECEIVABLES	**6,466,290**	**(55,327)**	**6,410,963**	**0.9%**	**2,101,671**	**2.6%**

In this context, the gross non-performing loan ratio amounts to 6.6% (calculated as the ratio between gross exposures in stage 3 and total gross loans to customers excluding securities), compared with 2.6% in 2021.

Tax assets

Tax assets amounted to Euro 10.7 million at the end of 2022, of which Euro 5.4 million for advances on current taxes and tax credits and Euro 5.3 million for deferred tax assets.

During the year the Bank recognised deferred tax assets on temporary differences for Euro 4.5 million. There are no residual deferred tax assets on prior year tax losses.

The remaining deferred tax assets, amounting to Euro 0.8 million, refer to the residual component recorded in application of Law 214/2011.

Hedging derivatives

Hedging derivatives include the positive fair value of Euro 16.3 million relating to the subscription by the SPV Progetto Quinto of an IRS for hedging purposes aimed at mitigating exposure to interest rate risk. Its notional amount at the end of 2022 is Euro 204.1 million.

Other assets

The other asset items, equal to Euro 154.9 million, include Euro 118.9 million of items in progress for collections relating to December instalments on loans to SMEs, which were settled in the first few days of January. The item also includes tangible and intangible assets of Euro 9.0 million, tax credits of Euro 15.9 million, deferred income and other items in progress.

Payables due to banks

(euro/thousand)	31/12/2022	31/12/2021	Change	
			absolute	%
Due to Central Banks	632,750	1,230,679	(597,929)	-48.6%
Payables due to banks	131,835	46,185	85,650	185.4%
Guarantee margins	-	42	(42)	-100.0%
TOTAL	**764,585**	**1,276,906**	**(512,321)**	**-40.1%**

The year-end balance due to Central Banks mainly relates to the refinancing programmes with the ECB (TLTRO III, PELTRO and Long-Term Refinancing Operation). Payables due to banks include two loans secured by the junior securities of the Progetto Quinto and Progetto PMI securitisations.

Payables due to customers

PAYABLES DUE TO CUSTOMERS (euro/thousand)	31/12/2022	31/12/2021	Change	
			absolute	%
Current accounts and deposits from customers	4,368,944	2,856,983	1,511,961	52.9%
Lease liabilities	6,177	1,376	4,801	348.9%
Loans	55,047	25,005	30,042	120.1%
Other	1,230	981	249	25.4%
TOTAL	**4,431,398**	**2,884,345**	**1,547,053**	**53.6%**

Payables due to customers amount to Euro 4,431.4 million at 31 December 2022, and increase by Euro 1,547.1 million on the end of 2021. This trend is attributable to the increase in funding through deposit accounts with retail customers. Loans refer entirely to funding transactions involving two loans from Cassa Depositi e Prestiti. With regard to funding through deposit accounts, it should be noted that in Italy the total is Euro 2,764.5 million at the end of 2022 (including corporate and financial customers), while the deposits with residents in Germany, the Netherlands and Spain - almost exclusively time deposits - placed through a partner platform amount to Euro 1,604.4 million at the same date.

Debt securities in issue

DEBT SECURITIES IN ISSUE (euro/thousand)	31/12/2022	31/12/2021	Change	
			absolute	%
ABS Securities	1,180,870	277,630	903,240	325.3%
TOTAL	**1,180,870**	**277,630**	**903,240**	**325.3%**

The item refers to the amortized cost of the senior securities issued by the vehicle Progetto Quinto S.r.l. and by the new vehicles Progetto PMI S.r.l. and Progetto PMI 2 S.r.l., connected to the three securitisations that the Bank carried out as part of its funding activity (as explained in greater detail in the appropriate paragraph of the directors' report).

Other liabilities

This item, equal to Euro 101.5 million, includes provisions for risks and charges which at the end of the year amounted to Euro 13.6 million (Euro 7.1 million at the end of 2021). This item consists of Euro 3.8 million in personnel expenses, of which Euro 0.1 million for the 2014/2015 solidarity fund of the former Banca Lecchese and Euro 3.7 million for staff incentives. The additional Euro 9.8 million principally relate for Euro 2 million to estimated charges for the network of agents and brokers (in particular, to agents' termination indemnities of Euro 0.9 million and to the estimated part of commissions linked to the production volumes of agents and brokers and to the quality of their portfolio of Euro 1.1 million), while Euro 7.8 million related to ongoing or potential disputes for which there is probably a cost for the Bank that can be estimated.

The other liabilities also include taxes of Euro 31.9 million, severance indemnities of Euro 1 million, as well as other liabilities of Euro 60.5 million, mainly consisting of tax payables, bank transfers to be settled, trade payables and deferred income.

Consolidated equity

At the end of December 2022, consolidated equity, including the result for the period (a profit of Euro 52.0 million), stands at Euro 224.7 million.

At the end of 2022, the majority shareholder BPL Holdco S.à.r.l. made a non-refundable payment of Euro 10 million towards a future increase in capital.

The earnings performance

Consolidated statement of profit or loss

(euro/thousand)	2022	2021	Change	
			absolute	%
Net interest income	180,928	102,368	78,560	76.7%
Net fees and commissions	(789)	455	(1,244)	n.s.
Net gains (losses) from sale/repurchase of financial assets	-	5,214	(5,214)	-100.0%
Operating income	**180,139**	**108,037**	**72,102**	**66.7%**
Net adjustments for impairment losses	(33,819)	(14,240)	(19,579)	137.5%
Net profit (loss) from financial activities	**146,320**	**93,797**	**52,523**	**56.0%**
Staff costs	(18,948)	(13,835)	(5,113)	37.0%
Other administrative expenses	(47,897)	(30,947)	(16,950)	54.8%
Net provisions for risks and charges	(6,682)	(1,749)	(4,933)	n.s.
Adjustments to property, plant and equipment and intangible assets	(2,233)	(1,158)	(1,075)	92.8%
Other operating expenses/income	6,528	5,571	957	17.2%
Operating costs	**(69,232)**	**(42,118)**	**(27,114)**	**64.4%**
Income tax for the year	**(25,104)**	**(10,691)**	**(14,413)**	**134.8%**
Profit (loss) before tax from continuing operations	**51,984**	**40,988**	**10,996**	**26.8%**
Consolidated profit (loss) for the year	**51,984**	**40,988**	**10,996**	**26.8%**

During 2022 net interest income was Euro 180.9 million, compared with Euro 102.4 million the previous year, as a result of interest income of Euro 236.1 million (Euro 128.4 million in 2021) and interest expense of Euro 55.2 million (Euro 26.1 million in 2021). Interest income mainly includes Euro 205.5 million of interest on mortgages and loans, Euro 17.6 million of interest on salary-backed loans, Euro 2.1 million of interest on purchased tax credits, Euro 1.5 million of interest on bank accounts and Euro 2.5 million of interest on securities. Interest expense mainly includes Euro 45.1 million relating to customer deposit accounts (of which Euro 31.8 million on the Conto Progetto Italia and Euro 13.3 million on the Conto Progetto Germania), in addition to interest on phantom liabilities for a total of Euro 6.1 million, interest on loans payable for Euro 0.2 million, interest on bank current accounts for Euro 2.1 million and for ECB facilities for Euro 1.6 million.

Net fees and commissions in 2022 were negative for Euro 0.7 million (positive for Euro 0.5 million in 2021). Fee and commission income, amounting to Euro 4.8 million (Euro 3.5 million in 2021), is mainly attributable to preliminary commissions for the salary-backed loan product amounting to Euro 3.0 million, commissions for early repayment of loans amounting to 1.1 million and collection services. Fee and commission expense, amounting to Euro 5.6

million (Euro 3.1 million in 2021), mainly refer for Euro 4.4 million to the cost generated by the German online platform for funding in deposit accounts and Euro 0.5 million for social security charges of the agency distribution network.

The period under review ends with consolidated operating income of Euro 180.1 million, compared with Euro 108 million in 2021, an increase of 66.7%.

Net impairment adjustments come to a total cost of Euro 33.8 million (versus Euro 14.2 million in 2021). With regard to financial assets at amortised cost, this item includes net impairment adjustments on performing loans of Euro 4.9 million, net impairment adjustments on non-performing loans of Euro 29.1 million (being the net impairment adjustments of Euro 31,4 million and Euro 2.3 million of recoveries, mainly thanks to the Bank's debt collection activities mainly for the loans granted by the former Banca Lecchese), and recoveries of Euro 0.2 million based on an assessment of the creditworthiness of the Government bonds in the HTC portfolio.

The consolidated net profit (loss) from financial activities in 2022 amounts to Euro 146.3 million, compared with the 2021 figure of Euro 93.8 million, an increase of 56%.

Consolidated staff costs amounted to Euro 18.9 million compared with Euro 13.8 million in 2021. The average workforce went from 132 in 2021 to 187 in 2022. This increase in personnel in almost all divisions and departments is the result of the significant growth in the Bank's volumes of business, which also resulted in a corresponding increase in staff costs. This item includes the portion relating to staff incentives, totalling Euro 3.6 million (Euro 2.6 million in 2021).

Consolidated other administrative expenses increased to Euro 47.9 million from Euro 30.9 million in 2021. The increase in expenses is a direct consequence of the growth in size of the Bank and the volumes of disbursements recorded in 2022, which led to an increase in all variable costs and, to a certain extent, also in fixed costs. It should also be noted that the Bank has increased its technological and IT investments with the aim of continuing the organic development path which is based on the enhancement of the current operating systems, and which have also contributed to the launch of the factoring product which took place in the first quarter of 2023. It should be noted a substantial increase in indirect taxes, in particular stamp duty, resulting from the growth in the stock of deposits, which the Bank has decided to absorb in 2022 as well. This has generated an increase in costs of Euro 2.7 million during the year. Contributions to the Italian and European deposit guarantee funds (FITD and Deposit Guarantee Scheme) led to charges during the year for a total of Euro 7.5 million, with an increase in costs of Euro 4.5 million compared with 2021.

Net provisions for risks and charges generated a total charge of Euro 6.7 million at the end of 2022, compared with Euro 1.7 million at the end of 2021. In 2022 there were provisions of Euro 1.1 million relating to the estimate of the non-recurring commission component of agents and brokers linked to production volumes and portfolio quality, as well as the agents' termination indemnity calculated on an actuarial basis for Euro 0, 1 million and a further Euro

5.4 million of net provisions for expected future disbursements for which a cost is likely to arise for the Bank, almost all linked to the sentence of the Constitutional Court in relation to salary-backed loans.

Consolidated operating costs amounted to Euro 69.2 million compared with Euro 42.0 million in 2021, with a cost/income ratio of 38.4% despite the presence of non-recurring expenses of almost Euro 8 million, before tax (38.9% in 2021).

The profit (loss) before tax from continuing operations in 2022 amounts to Euro 77.1 million compared with Euro 51.7 million in 2021.

Income taxes for the year on current operations are negative for Euro 25.1 million compared with Euro 10.7 million in 2021. They relate to current taxes for Euro 26.5 million, the charge relating to the reversal of deferred tax assets on prior year losses cancelled during the year for Euro 0.8 million, to which must be added the positive effect of recognition of deferred tax assets on temporary differences for Euro 2.2 million.

2022 closed with a consolidated net profit of Euro 52.0 million compared with one of Euro 41.0 million in 2021.

Own funds and consolidated capital adequacy

Total Common Equity Tier 1 Capital and Own Funds at the end of 2022 amounted to Euro 226.1 million, total Risk Weighted Assets (RWAs) amounted to Euro 1,315 million, with a CET 1 Ratio and a Total Capital Ratio of 17.19%.

The growth in Own Funds was generated by the positive result for the year of Euro 52 million, as well as the non-returnable payment of Euro 10 million towards a future increase in capital made by the majority shareholder at the end of December 2022.

The growth of RWAs during 2022 is a consequence of the increase in the stock of exposures to companies, deriving from disbursements during the year of Euro 2.7 billion, despite the fact that the state guarantee was on average equal to 83%; there was also an increase in RWAs on operational risks resulting from the growth in the Bank's revenues. The growth in the salary-backed loan portfolio also contributed in part to the overall increase in RWAs.

During the year, there were no changes in the capital decided by the supervisory body (SREP procedure), so the following remain valid as overall capital requirements:

- 8.4% for CET 1 Ratio;

- 10.4% for Tier 1 Ratio and

- 13.0% for Total Capital Ratio.

In order to ensure that the binding measures are respected even in conditions of deterioration of the economic and financial context, the supervisory body asked to add an additional 2% to the above coefficients as a "stress buffer”. At the end of January 2023, the supervisory board communicated the start of the procedure which at the end of March 2023 led to the decision on capital for the year 2023, which decreed a reduction in the maximum requirement for 2023 of 1.15%. For more information, see the section on "Significant subsequent events and outlook”.

The Bank has included in the calculation of own funds, in accordance with the provisions of the CRR, the effects deriving from application of the transitional rules on provisioning in accordance with IFRS 9 (using both the static and dynamic approaches, as detailed in the following paragraph "risk management"), which led to a benefit of Euro 4.0 million at the end of 2022 in terms of own funds, already net of the tax effect, so fully phased CET 1 Ratio is equal to 16.88%.

Own funds

	31/12/2022	31/12/2021
A. Common Equity Tier 1 (CET1) capital prior to the application of prudential filters	224,748	152,551
of which: CET1 instruments subject to transitional provisions		
B. CET1 prudential filters (+/-)		
C. CET1 prior to the deductions and impact of the transitional provisions (A +/- B)	224,748	152,553
D. Deductions from CET1	2,688	2,984
E. Transitional provisions - Impact on CET1 (+/-)	4,033	5,885
F. Total CET1 (C - D +/- E)	226,093	155,452
G. AT1 prior to deductions and impact of the transitional provisions		
of which: AT1 instruments subject to transitional provisions		
H. Deductions from AT1		
I. Transitional provisions - Impact on AT1 (+/-)		
L. Total AT1) (G - H +/- I)		
M. T2 prior to deductions and impact of the transitional provisions		
of which: T2 instruments subject to transitional provisions		
N. Deductions from T2		
O. Transitional provisions - Impact on T2 (+/-)		
P. Total T2 (M - N +/- O)		
Q. Total consolidated own funds (F + L + P)	226,093	155,452

Capital adequacy

amounts in thousands of Euro	31/12/2022	31/12/2021
Total own funds	**226,093**	**155,452**
A. Risk assets		
A.1 Credit and counterparty risk	**6,703,974**	**4,638,202**
1. Standardised approach	6,703,974	4,638,202
B. Minimum capital requirements		
B.1 Credit and counterparty risk	**88,285**	**53,770**
B.5 Operational risk	**16,925**	**8,431**
1. Basic approach	16,925	8,431
2. Standardised approach	-	-
B.7 Total prudential requirements	**105,210**	**62,201**
C. Risk assets and capital ratios		
C.1 Risk-weighted assets	1,315,131	777,518
C.2 Common Equity Tier 1 capital/Risk weighted assets (CET1 capital ratio)	17.19%	19.99%
C.3 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)	17.19%	19.99%
C.4 Tier 1 and 2 capital/Risk-weighted assets (Total capital ratio)	17.19%	19.99%

Risk management

From 1 January 2014 onwards, the reforms of the Basel Committee agreements ("Basel 3")[1] have been transposed into the European Union system in order to strengthen banks' ability to absorb shocks from financial and economic tensions, regardless of their origin, to improve risk management and governance, as well as to strengthen transparency and disclosure of their risk profile and risk coverage through own funds. The national provisions aimed at transposing supranational legislation are contained in the Bank of Italy Circular no. 285 of 17 December 2013 "Supervisory provisions for banks" and subsequent amendments and additions.

The regulatory updates that have taken place have maintained the three-pillar approach that underlay the previous Basel 2 capital agreement, currently Basel 3, integrating and strengthening it to increase the quantity and quality of the intermediaries' capital endowment, as well as introducing counter-cyclical supervisory instruments, rules on liquidity risk management and leverage containment.

[1] Regulation (EU) no. 1/2013 ("CRR") with which the rules defined by the Basel Committee for banking supervision are introduced into the European Union with the articulated set of documents jointly called "Basel 3" (including the technical implementation regulations - ITS) and Directive 36/36 / EU (CRD IV) which concerns, among other things, the conditions for access to banking activities, the freedom of establishment and the freedom to provide services, the prudential control process and additional capital reserves.

As regards the business risks of Banca Progetto, they are continuously monitored with a view to collaboration between the Bank's structures (first, second and third level controls), in line with the provisions of the new prudential supervisory provisions mentioned above.

The Bank has applied the capital requirements of Basel 3 starting from 1 January 2014; With this in mind, the Bank has introduced the procedural and organisational interventions needed to comply with the regulations on how to use the calculation methods adopted.

The issue of Regulation (EU) 2017/2395 "Transitional provisions aimed at mitigating the impact of the introduction of IFRS 9 on own funds" updates Regulation 575/2013 CRR, inserting a new article 473 bis "Introduction of IFRS 9 ", which offers banks an opportunity to mitigate the impact on own funds deriving from IFRS 9 in a transitional period of 5 years (from March 2018 to December 2022). It does this by sterilising the impact on CET1 by applying decreasing percentages over time. So, the Bank has chosen to adopt both the so-called "static approach", to be applied to the impact from comparing the IAS 39 adjustments at 31/12/2017 with those resulting from IFRS 9 at 1/1/2018, and the so-called "dynamic approach" to be applied to the impact by comparing the IFRS 9 adjustments at 1/1/2018 and at the subsequent reporting dates (only for the performing component and up to 2024, transitional period).

Consistent with what is laid down in the First Pillar for the method of calculating the requirements to face the typical risks of banking activities, the Bank uses:

- for credit risk: the standardised approach;
- for operational risk: the basic approach.

In particular, in the context of credit risk, for the process of determining and monitoring the capital requirements, customers are classified as envisaged by the prudential supervisory regulations; the Credit Risk Mitigation techniques envisaged by the same legislation are also applied.

Lastly, Banca Progetto oversees operational risks through its corporate organization with defined lines of skills and responsibilities, capable of ensuring the separation of roles between the control and operational functions. To this end, risk self-assessments are carried out at least once a year involving the individual "risk owners" of the various functional areas, identified on the basis of the corporate "Risk Policy". Based on a structured approach, they evaluate in qualitative terms the exposure to operational risk, first in terms of inherent risk and - depending on the effectiveness of the controls in place - in terms of residual risk. Any remediation actions are subject to periodic monitoring.

With regard to the uncertainties deriving from the Russia-Ukraine crisis, please refer to part E of the explanatory notes.

Key indicators

	31/12/2022	31/12/2021
Composition indices		
Banks' and customers' deposits/Total liabilities and equity	95.1%	95.6%
Loans and advances to customers/Banks' and customers' deposits and debt securities in issue	100.5%	98.3%
Net interest income/Operating income	100.4%	94.8%
Capital ratios and financial leverage		
Financial leverage (Own funds/Total assets)	3.4%	3.5%
Consolidated CET 1 ratio	17.19%	19.99%
Risk ratios		
NPL	1.2%	0.5%
Net bad loans/Loans and advances to customers	0.9%	0.2%
Bad loan coverage ratio	17.8%	49.5%
Adjusted bad loan coverage ratio (***)	93.7%	93.5%
Impaired loan (NPE) coverage ratio	10.5%	18.6%
NPE	6.6%	2.3%
Adjusted non-performing loan (NPE) coverage ratio (***)	56.6%	51.5%
Total cost of risk (*)	0.7%	0.5%
Profitability ratios		
Operating income/Total assets	2.7%	2.3%
Cost/Income Ratio	38.4%	39.0%
ROE (**)	27.6%	33.9%
Liquidity Indices		
LCR	267%	2,467%
NSFR	113.3%	118.8%

(*) calculated as the ratio between item 130 of the statement of profit or loss (excluding write-downs of securities and receivables due from banks) and the arithmetic mean of item 40b receivables due from customers (excluding securities) at the beginning and end of 2022.
(**) calculated as net profit compared with the average of equity at the beginning and end of the period.
(***) the items in the adjusted coverage ratio were calculated using the exposure net of the coverage of the State guarantee funds.

Other information

The reconciliation between the result and equity of the Bank with the figures in the consolidated financial statements is provided below.

Items	Economic result	Equity
Result/equity in the separate financial statements	51,984	161,881
Progetto Quinto cash flow hedge reserve	-	10,882
Equity of non-controlling interests	-	30
Total at 31/12/2022	**51,984**	**172,793**
Consolidated equity at 31/12/2022		**224,777**

Research and Development

During 2022, no research and development was carried out.

Secondary offices

The Bank carries out its business also in the secondary office of Piazza San Bernardo 101, in Rome.

Changes in the Group workforce

Number of employees by category	31/12/2022	31/12/2021
Employees:	213	150
1. Managers	17	12
2. Executives	78	58
3. Other employees	118	80
Other staff	3	7

Treasury shares

During the year, the Bank and the Vehicles did not carry out any transactions in treasury shares.

Related parties

At 31 December 2022, there were various related-party transactions outstanding, mainly loans for Euro 15.4 million and deposits for Euro 1.0 million. For more information, see Part H "Related-Party Transactions" of the Notes.

Significant subsequent events and outlook

At the end of January 2023, the supervisory board communicated the start of the procedure which led to the decision on capital for the year 2023, which was communicated on 28 March 2023 at the end of the supervisory review process (SREP). This established that the Bank will have to satisfy the following as its overall capital requirement ratios:

- 8.2% for CET 1 Ratio;
- 10.1% for Tier 1 Ratio and
- 12.6% for Total Capital Ratio.

In order to ensure that the binding measures are complied with even in conditions of deterioration of the economic and financial context, the supervisory body has requested to add to the above coefficients a further target component of 1.25% against a greater exposure to risk under stressful conditions. These indicators recorded a reduction compared with the previous ones, both for the overall capital requirement ratios and for the one relating to the target component under stressed conditions.

The Board of Directors of the Bank, at their meeting on 13 February 2023, examined the report replying to the Bank of Italy's request of 17 January 2023 for information on the updated forecasts relating to the two-year period 2023 and 2024 on the business model and funding, in a profoundly changed macroeconomic context compared with the beginning of 2022, due to the exacerbation of geopolitical tensions and the change in the orientation of the Eurozone's monetary policy implemented following the marked growth in inflation.

At the conclusion of the analysis carried out on its business model, in relation to the positive trend of the main equity, economic and financial indicators recorded in 2022, as well as the simulations carried out on the evolution of the profitability and sustainability of the business model in light of the socio-economic scenarios and market prospects, including adverse ones, the substantial validity and adequacy of the current strategic guidelines were confirmed, which show a prospective sustainability of the business from a capital, economic and financial point of view.

Shareholders,

in accordance with the law and the articles of association, the Board of Directors submits the consolidated financial statements at 31 December 2022 to the Shareholders' Meeting.

Particular acknowledgement by the Board of Directors goes to all of the staff at all levels of the Bank, who have committed themselves constantly with professional competence, as well as to the sales network and our technological partners.

Milan, 29 March 2023

The Board of Directors
The Chairman
Carlo Garavaglia

Part II —
CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – ASSETS

(amounts in thousands of Euro)

	Asset line items	31/12/2022	31/12/2021
10.	Cash and cash equivalents	48,257	218,081
40.	Financial assets at amortised cost	6,478,437	4,396,261
	a) receivables due from banks	67,474	33,009
	b) receivables due from customers	6,410,963	4,363,252
50.	Hedging derivatives	16,259	1,098
90.	Property, plant, and equipment	6,318	1,675
100.	Intangible assets	2,688	2,216
110.	Tax assets	10,727	5,052
	a) current	5,417	1,151
	b) deferred	5,310	3,901
130.	Other assets	145,928	19,663
	Total assets	**6,708,614**	**4,644,046**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – LIABILITIES AND EQUITY

(amounts in thousands of Euro)

	Liabilities and equity line items	31/12/2022	31/12/2021
10.	Financial liabilities at amortised cost	6,376,854	4,438,882
	a) payables due to banks	764,585	1,276,906
	b) payables due to customers	4,431,398	2,884,345
	c) debt securities in issue	1,180,870	277,630
60.	Tax liabilities	31,889	5,759
	a) current	26,512	5,395
	b) deferred	5,377	363
80.	Other liabilities	60,534	38,941
90.	Employee severance indemnities	953	766
100.	Provisions for risks and charges:	13,607	7,127
	a) commitments and guarantees given	11	24
	c) other provisions	13,596	7,103
120.	Valuation reserves:	10,754	542
150.	Reserves	97,557	46,569
160.	Share premium reserve	54,048	54,048
170.	Share Capital	10,404	10,404
190.	Equity of non-controlling interests (+/-)	30	20
200.	Profit (loss) for the year (+/-)	51,984	40,988
	Total liabilities and equity	**6,708,614**	**4,644,046**

BANCA PROGETTO

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(amounts in thousands of Euro)

		2022	2021
10.	Interest and similar income	236,125	128,426
	of which: interest income with the effective interest method	236,077	128,031
20.	Interest expense and similar charges	(55,197)	(26,058)
30.	**Net interest income**	**180,928**	**102,368**
40.	Fee and commission income	4,836	3,515
50.	Fee and commission expense	(5,625)	(3,060)
60.	Net fees and commissions	**(789)**	**455**
100.	Gains/losses on disposals and repurchases of:	-	5,214
	a) financial assets at amortised cost	-	5,214
120.	**Operating income**	**180,139**	**108,037**
130.	Net adjustments for impairment of:	(33,819)	(14,240)
	a) financial assets at amortised cost	(33,819)	(14,240)
150.	Net profit (loss) from financial activities	**146,320**	**93,797**
190.	Administrative expenses:	(66,845)	(44,782)
	a) staff costs	(18,948)	(13,835)
	b) other administrative expenses	(47,897)	(30,947)
200.	Net provisions for risks and charges	(6,682)	(1,749)
	a) commitments and guarantees given	13	(22)
	b) other net provisions	(6,695)	(1,727)
210.	Net adjustments to property, plant and equipment	(1,356)	(667)
220.	Net adjustments to intangible assets	(877)	(491)
230.	Other operating charges/income	6,528	5,571
240.	**Operating costs**	**(69,232)**	**(42,118)**
290.	**Profit (loss) from continuing operations before tax**	**77,088**	**51,679**
300.	**Tax on income from continuing operations**	**(25,104)**	**(10,691)**
310.	**Profit (loss) from continuing operations after tax**	**51,984**	**40,988**
330.	**Profit (loss) for the year**	**51,984**	**40,988**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(amounts in thousands of Euro)

	Items	31/12/2022	31/12/2021
10.	**Profit (loss) for the year**	**51,984**	**40,988**
	Other comprehensive income after tax not reclassified to profit or loss	**64**	**13**
70.	Defined-benefit plans	64	13
	Other comprehensive income reclassified to profit or loss	**10,146**	**2,135**
120.	Hedging of financial flows:	10,146	2,135
140.	Financial assets (other than equities) at fair value through other comprehensive income	-	-
170.	**Total other comprehensive income after tax**	**10,210**	**2,148**
180.	**Comprehensive income (Item 10+170)**	**62,194**	**43,136**
190.	**Consolidated statement of comprehensive income of non-controlling interests**	**-**	**-**
200.	**Consolidated statement of comprehensive income of the parent company**	**62,194**	**43,136**

BANCA PROGETTO

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AT 31/12/2022

(amounts in thousands of Euro)

	Balance at 31/12/2021	Balance at 01/01/22	Allocation of prior year results		Changes in 2022								Consolidated equity at 31/12/2022	Equity of non-controlling interests at 31/12/2022
					Change in reserves	Transactions on consolidated equity						Consolidated statement of comprehensive income at 31/12/2022		
			Reserves	Dividends and other allocations		Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock options			
Share capital:	**10,404**	**10,404**	-	-	-	-	-	-	-	-	-	-	**10,404**	**30**
a) ordinary shares	10,404	10,404	-	-	-	-	-	-	-	-	-	-	10,404	30
b) other shares	-		-	-	-	-	-	-	-	-	-	-		
Share premium reserve	**54,048**	**54,048**	-	-		-	-	-	-	-	-	-	**54,048**	-
		-											-	-
Reserves:	**46,570**	**46,570**	**40,988**	-	**10,000**	-	-	-	-	-	-	-	**97,557**	-
a) from earnings	(29,090)	(29,090)	40,988	-	-	-	-	-	-	-	-	-	11,897	-
b) other	75,660	75,660	-	-	10,000	-	-	-	-	-	-	-	85,660	-
Valuation reserves	**544**	**544**	-	-	-	-	-	-	-	-	-	**10,210**	**10,754**	-
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit (loss) for the period	**40,988**	**40,988**	**(40,988)**	-	-	-	-	-	-	-	-	**51,984**	**51,984**	-
Equity	**152,553**	**152,553**	-	-	**10,000**	-	-	-	-	-	-	**62,194**	**224,747**	**30**
Equity of non-controlling interests	**20**	**20**	-	-	**(10)**	**20**	-	-	-	-	-	-	-	**30**

The amount of Euro 10,000,000 refers to non-refundable payments into the account for a current or future increase in capital by the majority shareholder in December.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AT 31/12/2021

(amounts in thousands of Euro)

	Balance at 31/12/2020	Balance at 01/01/21	Allocation of prior year results		Changes in 2021								Consolidated equity at 31/12/2021	Equity of non-controlling interests at 31/12/2021
						Transactions on consolidated equity								
			Reserves	Dividends and other allocations	Change in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock options	Consolidated statement of comprehensive income at 31/12/2021		
Share capital:	**10,404**	**10,404**	-	-	-	-	-	-	-	-	-	-	**10,404**	20
a) ordinary shares	10,404	10,404	-	-	-	-	-	-	-	-	-	-	10,404	20
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	**54,048**	**54,048**	-	-	-	-	-	-	-	-	-	-	**54,048**	-
Reserves:	**5,955**	**5,955**	**20,615**	-	**20,000**	-	-	-	-	-	-	-	**46,569**	-
a) from earnings	(49,705)	(49,705)	20,615	-	-	-	-	-	-	-	-	-	(29,089)	-
b) other	55,660	55,660	-	-	20,000	-	-	-	-	-	-	-	75,660	-
Valuation reserves	**(1,605)**	**(1,605)**	-	-	-	-	-	-	-	-	-	**2,148**	**542**	-
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit (loss) for the period	- **20,615**	- **20,615**	**(20,615)**	-	-	-	-	-	-	-	-	**40,988**	- **40,988**	- -
Equity	**89,417**	**89,417**	-	-	**20,000**	-	-	-	-	-		**43,136**	**152,551**	20
Equity of non-controlling interests	**20**	**20**	-	-	-	-	-	-	-	-	-	-	-	20

The amount of Euro 20,000,000 refers to non-refundable payment into the account for a current or future increase in capital by the majority shareholder in June and December

CONSOLIDATED CASH FLOW STATEMENT

(amounts in thousands of Euro)
Direct method

A. OPERATING ACTIVITIES	31/12/2022	31/12/2021
1. Cash flow generated by operations (+/-)	**119,438**	**68,780**
- Profit (loss) for the year (+/-)	51,984	40,988
- Net adjustments for credit risk (+/-)	33,819	14,240
- Net adjustments to property, plant and equipment and intangible assets (+/-)	2,233	1,158
- Net provisions for risks and charges and other expenses/income (+/-)	6,682	1,749
- Unpaid duties, taxes, and tax credits (+)	24,720	10,645
2. Cash flow generated/absorbed by financial assets (+/-)	**(2,251,474)**	**(2,018,917)**
- Other assets mandatorily at fair value through other comprehensive income	(4,949)	1,049
- Financial assets at amortised cost	(2,115,995)	(2,019,106)
- Other assets	(130,530)	(860)
3. Cash flow generated/absorbed by financial liabilities (+/-)	**1,959,450**	**2,032,252**
- Financial liabilities at amortised cost	1,937,972	2,026,094
- Financial liabilities at fair value	-	(2,077)
- Other liabilities	21,578	8,235
Net cash flow generated/absorbed by operating activities (+/-)	**(172,486)**	**82,114**
B. INVESTING ACTIVITIES		
1. Cash flow generated by (+)	**-**	**16**
- Sale of property, plant, and equipment	-	16
2. Cash flow absorbed by (-)	**(7,348)**	**(1,877)**
- Purchase of property, plant, and equipment	(5,999)	(251)
- Purchase of intangible assets	(1,349)	(1,626)
Net cash flow generated/absorbed by investing activities	**(7,348)**	**(1,861)**
C. FUNDING ACTIVITIES		
- Issue/purchase of treasury shares	10,010	20,000
Net cash flow generated/absorbed by funding activities	**10,010**	**20,000**
NET CASH FLOW GENERATED/ABSORBED DURING THE YEAR	**(169,824)**	**100,253**

RECONCILIATION

Line items	Amount 31/12/2022	Amount 31/12/2021
Cash and cash equivalents at the beginning of the year	218,081	117,828
Total cash flow generated/absorbed during the year	(169,824)	100,253
Cash and cash equivalents at the end of the year	48,257	218,081

CONSOLIDATED FINANCIAL STATEMENTS 2022

BANCA PROGETTO

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

Explanatory notes to the financial statements

CONSOLIDATED FINANCIAL STATEMENTS 2022

Part A —
ACCOUNTING POLICIES

BANCA PROGETTO

A1 – GENERAL PART

SECTION 1 - DECLARATION OF CONFORMITY WITH IFRS

The consolidated financial statements of Banca Progetto have been drawn up in compliance with the international accounting standards issued by the International Accounting Standards Board (IASB), including the interpretative documents called SIC and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), approved by the European Commission until as at 31 December 2022, as established by the European Union regulation n. 1606 of 19 July 2002, implemented in Italy by Legislative Decree no. 38 of 28 February 2005.

In preparing the consolidated financial statements, the Bank has applied the instructions issued by the Bank of Italy with Circular no. 262 of 22 December 2005 and subsequent updates.

The specific accounting standards adopted have been applied on a consistent basis.

No exceptions have been made in the application of IAS/IFRS.

The consolidated financial statements will be audited by KPMG S.p.A.

The following table summarises all updates on IFRS, specifying those that concern the 2022 financial statements and those that will come into force in subsequent years and for which IAS 8 requires disclosure in the notes to the financial statements.

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New documents issued by the IASB and approved by the EU to be adopted mandatorily, starting with the financial statements that start on 1 January 2022

Document title	Date of publication of the IASB document	Effective date	EU regulation and date of publication	Approval date
Improvements in IFRS (2018-2020 cycle) [Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41]	May 2020	1 January 2022	(UE) 2021/1080 2 July 2021	28 June 2021
Property, Plant and Equipment – Proceeds before intended use (Amendments to IAS 16)	May 2020	1 January 2022	(UE) 2021/1080 2 July 2021	28 June 2021
Onerous contracts - Cost of fulfilling a contract (Amendments to IAS 37)	May 2020	1 January 2022	(UE) 2021/1080 2 July 2021	28 June 2021
Reference to the Conceptual Framework (Amendments to IFRS 3)	May 2020	1 January 2022	(UE) 2021/1080 2 July 2021	28 June 2021

Adopting these standards has not had any material impact on the Bank's financial aggregates.

IAS/IFRS and related IFRIC interpretations applicable to financial statements for years starting after 1 January 2022. Documents approved by the EU as at 30 November 2022.

Document title	Date of publication of the IASB document	Effective date	EU regulation and date of publication	Approval date
IFRS 17 Insurance Contracts (including changes published in June 2020)	May 2017 and June 2020	1 January 2023	(UE) 2021/2036 23 November 2021	19 November 2021
Definition of Accounting Estimates (Amendments to IAS 8)	February 2021	1 January 2023	(EU) 2022/357 3 March 2022	2 March 2022
Disclosure of Accounting Policies (Amendments to IAS 1)	February 2021	1 January 2023	(EU) 2022/357 3 March 2022	2 March 2022
Deferred taxes relating to assets and liabilities deriving from a single transaction (Amendments to IAS 12)	May 2021	1 January 2023	(EU) 2022/1392 12 August 2022	11 August 2022
Initial adoption of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17)	December 2021	1 January 2023	(EU) 2022/1491 9 September 2022	8 September 2022

IAS/IFRS and related IFRIC interpretations applicable to financial statements for years starting after 1 January 2022. Documents not yet endorsed by the EU as of 30 November 2022

Note that these documents will only be applicable after approval by the EU.

Document title	Date of issue by IASB	Effective date of the IASB document	Date of expected EU approval
Standards			
IFRS 14 Regulatory Deferral Accounts	January 2014	1 January 2016	Approval process suspended pending the new accounting standard on "rate regulated activities"
Amendments			
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	September 2014	Deferred until completion of the IASB project on the equity method	Approval process suspended pending the conclusion of the IASB project on the equity method
Classification of liabilities as current or non-current (Amendments to IAS 1) and Non-current liabilities with covenants (Amendments to IAS 1)	January 2020 July 2020 October 2020	1 January 2024	TBD
Lease liability in a sale and leaseback (Amendments to IFRS 16)	September 2022	1 January 2024	TBD

The accounting principles applied are explained below.

SECTION 2 - GENERAL PRINCIPLES

In accordance with the provisions of art. 5, paragraph 2, of Legislative Decree no. 38 of 28 February 2005, the financial statements have been prepared using the euro as the accounting currency, and is based on the application of the following general drafting principles:

- going concern: assets, liabilities and off-balance sheet transactions are measured on the basis of their value for operating purposes, as they are destined to last over time; with reference to the going-concern principle, at the meeting of 24 November 2021, the Board of Directors approved the 2022-2024 business plan which envisages significant growth in all of the Bank's financial aggregates. Furthermore, in February 2023 it approved the updated forecasts on the business model for the years 2023-2024 which show financial aggregates and results in continuous growth. There are therefore no problems with business continuity and these financial statements have been prepared on the basis of the going-concern assumption as a result;
- accruals principle: costs and revenues are recognised in the period in which they accrue economically in relation to the underlying services received and provided, regardless of when they were actually settled in monetary terms;
- consistency: to ensure the comparability of the figures and information contained in the schedules and in the financial statements, the methods of representation and classification are kept constant over time, unless they are required to be changed by an international accounting standard or by an interpretation or if it is intended to present the figures in a more meaningful and reliable way: when a specific method of presentation or classification is changed, the new method should - if possible - be applied retroactively, explaining the reasons and nature and indicating the effects of the restatement on the financial statements;
- materiality and aggregation: each material class of items that have a similar nature or function is shown separately in the statement of financial position and statement of profit or loss; items that have a different nature or function, if material, are shown separately;
- prohibition on offsetting: the prohibition on offsetting is applied, unless this is foreseen or allowed by international accounting standards or by an interpretation of these standards;
- comparison with the previous year: the financial statement schedules and tables show the prior-year figures, adapted where necessary to ensure that they are comparable.

The consolidated financial statements consist of the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement and the explanatory notes, accompanied by the report on operations.

The amounts in these explanatory notes are shown in thousands of euro.

Furthermore, in preparing these consolidated financial statements, the interpretative and support documents for the application of the accounting standards with reference to the impacts of Covid-19, issued by the European regulatory and supervisory bodies and by the standard setters, were considered to the extent applicable.

SECTION 3 - SCOPE AND METHODS OF CONSOLIDATION

SCOPE AND METHODS OF CONSOLIDATION

The consolidated financial statements include Banca Progetto S.p.A., the vehicle Progetto Quinto S.r.l. (formerly Vidal SPV S.r.l.) and from 2022 the vehicles Progetto PMI S.r.l. and Progetto PMI 2 S.r.l., from which the Bank acquired the Junior notes, also fall within the scope of consolidation. The vehicle Lake Securitisation S.r.l. was liquidated in December 2022.
The following table lists the companies included in the consolidation, along with the consolidation methods used.

Company's name	Operating office/legal office	Type of relationship (*)	Consolidating company	% voting rights
Line-by-line consolidation				
Progetto Quinto S.r.l.	Via V. Alfieri 1 CONEGLIANO 31015 (TV)	4	Banca Progetto S.p.A.	0
Progetto PMI S.r.l.	Via V. Alfieri 1 CONEGLIANO 31015 (TV)	4	Banca Progetto S.p.A.	0
Progetto PMI 2 S.r.l.	Via V. Alfieri 1 CONEGLIANO 31015 (TV)	4	Banca Progetto S.p.A.	0

(*) Key
1 = majority of voting rights at ordinary shareholders' meetings
2 = dominant influence at ordinary shareholders' meetings
3 = agreements with other shareholders
4 = other forms of control
5 = coordinated management pursuant to art. 26, paragraph 1, of Legislative Decree 87/92
6 = coordinated management pursuant to art. 26, paragraph 2, of Legislative Decree 87/92

Line-by-line consolidation

The consolidated financial statements include in the scope of consolidation Banca Progetto S.p.A. and the vehicle companies Progetto Quinto S.r.l., Progetto PMI S.r.l. and Progetto PMI 2 S.r.l., because even though the Bank does not hold any stake in the capital of these vehicles, it still has a relationship that gives it control, having subscribed all of the junior securities, bearing all of the risks and rewards.

Having an investment in the company is therefore not considered a condition for consolidation. In fact, there is a requirement to include among the subsidiaries of a company also those companies or entities that have a specific purpose (i.e., "vehicles" or "SPVs") over which control is actually exercised. In this regard, based on IFRS 10, an investor controls an investee entity if and only if it simultaneously has power over the investee entity, exposure or rights to variable returns deriving from the relationship with the investee entity and the ability to exercise power over the investee entity to affect the amount of its returns. In relation to these points, taking into account the structuring of the securitisations carried out, the Bank is of the opinion that they fall into the circumstances envisaged by IFRS 10.

It should be noted that these vehicles have been consolidated on a line-by-line basis. Line-by-line consolidation means including in the consolidated financial statements the individual line items in the statement of financial position and statement of profit or loss of the companies being consolidated. All intercompany assets, liabilities, income and expenses between consolidated companies are eliminated. The consolidated financial statements have been drawn up on the basis of the accounting situations prepared by the vehicle companies at the reporting date, reclassified in order to bring the form of presentation into line with that of Banca Progetto's consolidated financial statements.

SECTION 4 - SUBSEQUENT EVENTS

Please refer to the specific section of the report on operations.

SECTION 5 – OTHER MATTERS

Preparing consolidated financial statements also requires the use of estimates and assumptions that can have a significant effect on the figures in the statement of financial position and the statement of profit or loss, as well as on the information on contingent assets and liabilities disclosed in the financial statements. Making such estimates means using the information that is available and adopting reasonable assumptions about future events. By their very nature, the estimates and assumptions used may vary from year to year, so it cannot be excluded that the figures shown here could differ in subsequent years, even quite significantly, following a change in assessments which are inevitably subjective.

The main situations in which management has to make subjective assessments are as follows:

- the quantification of losses due to the impairment of receivables and of other financial assets generally (also considering the present pandemic scenario);
- determining the fair value of financial instruments other than government bonds in the financial statements, as well as the financial instruments to be used for disclosure purposes;
- the quantification of provisions for risks and charges;
- making estimates and assumptions on the recoverability of deferred tax assets.

The stock of corporate loans outstanding at 31 December 2022 comes to Euro 5.3 billion with an average public guarantee coverage (by the Central Guarantee Fund and, to a lesser extent, SACE), of approximately 83%. Performing volumes amount to Euro 4.9 billion, with disbursements in 2022 of Euro 2.7 billion; positions with non-performing status amount to Euro 381.9 million, of which Euro 152 million in past due, Euro 158.2 million in UTP and Euro 71.7 million in bad loans. The ratio to overall gross non-performing exposures is 7.3% (6.6% net of the guarantee).

At 31 December 2022, the portfolio of loans subject to moratorium - both public moratoriums and those under the ABI agreement - reached a marginal level (one position still in moratorium expiring in February 2023 for a gross exposure of Euro 100 thousand). On the other hand, there are 478 positions subject to moratorium which at 31 December 2022 were considered "past due" and therefore subject to regular amortisation for a total gross amount of Euro 188 million (3.6% of the total corporate portfolio).

With regard to the risk profile at 31 December 2022, there are no particularly critical issues for the provisions, both in absolute terms and in relative terms. For corporate loans there are provisions of Euro 51.9 million divided into Euro 38.9 million of non-performing positions and the remaining Euro 13 million of performing positions. The average coverage ratio (ECL%) of the portfolio is 1%, of which 0.3% for the performing portion.

Given what we said above regarding the percentage of gross NPE at the end of December 2022, the percentage of ECL on the other hand (1% at 31 December 2022) is in line with the business plan for 2022 (ECL target of 1.1%) and reflects the trend of impaired volumes, bearing in mind the prevalence of past due positions compared with positions in UTP/bad loans.

Analysing the credit quality of the positions in stage 2, Euro 738 million can be broken down as follows:

- Euro 583 million for deterioration by at least two rating/scoring classes;
- Euros 92 million at least 30 days past due;
- Euro 55 million with a forbearance measure ("forborne");
- Euro 9 million with elements of anomaly (such as protests, prejudicial news from sources outside the Bank, info from databases, CR).

In terms of forbearance measures (point 3), it is worth emphasising that the moratoriums granted as a result of the Covid-19 emergency, for which the Supervisory Authorities/EBA ordered a temporary suspension of automatic reclassification of loans to forborne, are not automatically classified in stage 2. Lastly, in line with the regulatory guidelines, the Bank has taken steps, pursuant to EU regulation 227/2015 of the Bank of Italy, to consider as "forborne performing" those positions subject to forbearance measures, not included in the government support adopted due to the Covid-19 emergency, but due to internal decisions of the Bank or granted under Law no. 244 of 24/12/2007.

As regards the deterioration of credit as the result of a downgrade of the current rating compared with the origination rating, it should be noted that, from December 2022, a more stringent rule has been implemented. It has the aim of intercepting in stage 2 not only the positions whose rating has deteriorated by at least two notches, but also those positions whose current rating has deteriorated by at least one notch starting from "CCC" or worse; it also applies to those positions which were unrated during the disbursement phase, but which have a current rating of "CC" or worse, or a percentage increase of at least 15% of the current PD "TTC" compared with the equivalent figure at origin, even with the same rating (this assessment is always provided for in the case of a current rating of "CCC" or worse). This increase generated an extra provision of Euro 1 million on volumes of Euro 131 million reclassified in stage 2 (2.5% of the total portfolio).

The explanation of the accounting policies applied to the main financial statement aggregates gives sufficient information to identify the main assumptions and subjective assessments made in preparing the financial statements. For further details on the composition and carrying amounts of the items affected by such estimates, please refer to the specific sections of the notes.

Pursuant to Legislative Decree 39/2010 and Legislative Decree 58/98 and on the basis of the resolution of the Shareholders' Meeting of 27 April 2018, these consolidated financial statements are subject to independent audit by KPMG S.p.A. for the years 2018-2026.

A2 - MAIN ITEMS IN THE FINANCIAL STATEMENTS

The accounting standards used in the preparation of the consolidated financial statements of Banca Progetto S.p.A. at 31 December 2022 are explained below. They comply with the IAS/IFRS in force at the date of preparation of these financial statements, as published by the IASB and endorsed by the European Commission.

FINANCIAL ASSETS AT AMORTISED COST

Classification

IFRS 9 says that the classification of financial assets should be guided, on the one hand, by the characteristics of the contractual cash flows and, on the other hand, by the business model for which such assets are held. Financial assets at amortised cost include financial assets for which it can be demonstrated that they give rise to cash flows that are exclusively represented by payments of principal and interest (so-called "Solely Payment of Principal and Interest or SPPI test").

The following are included in this item if they meet the above requirements:

- receivables due from banks, with the exception of sight deposits (which, in accordance with the 7th update of Bank of Italy Circular 262/2005, are classified under the balance sheet item "Cash and cash equivalents")
- receivables due from customers, mainly consisting of:
  - mortgage loans to SMEs
  - personal loans and salary-backed loans
  - payment delegations for private and public sector employees and pensioners
  - VAT credits purchased without recourse
  - debt securities
  - bad loans

Recognition

Financial assets are initially recognised on the settlement date for debt securities and on the disbursement date for loans. Upon initial recognition, assets are recorded at fair value, including transaction costs or income directly attributable to the same asset.

Measurement and recognition of profit or loss items

After initial recognition, receivables are measured at amortised cost calculated using the effective interest rate method. The effective interest rate is identified by calculating the rate that makes the present value of the future cash flows of the loan, both the principal and the interest portion, equal to the amount disbursed, including transaction costs and/or proceeds. This accounting method allows the economic effect of these costs to be distributed over the duration of the individual transaction according to a financial logic. The amortised cost method is not normally used for receivables with a duration of less than 18 months.

The measurement criteria are related to the inclusion of financial assets at amortised cost in one of the different stages of credit risk envisaged by IFRS 9, where stage 1 and 2 include performing assets, while stage 3 has the impaired assets.

On the basis of the regulatory framework, according to the rules of the Bank of Italy, consistent with IAS/IFRS and European Supervisory regulations, supplemented by the internal implementation provisions, impaired financial assets are classified according to their criticality status in one of three categories:

1. past-due exposures: this category includes all cash exposures other than those defined as non-performing or unlikely to pay, which at the reporting date present an amount overdue by at least 90 consecutive days. The overall exposure to a debtor must be recognised as past due and/or overdrawn if at the reporting date the amount of principal, interest and/or commissions not paid on the date on which it was due exceeds both of the materiality thresholds indicated below:
   - an absolute limit of Euro 100 for retail exposures and Euro 500 for exposures other than retail ones (the so-called "Absolute Threshold") to be compared with the debtor's total past due and/or overdrawn amount;
   - a relative limit of 1% to be compared with the ratio between the total past due and/or overdue amount and the total amount of all exposures recorded in the financial statements to the same debtor (the so-called "Relative Threshold");
   - note that materiality thresholds (1) and (2) must be calculated daily at the level of overall exposure of the individual debtor/counterparty, considering all outstanding loans with the Bank and without any offsetting between the various lines of credit.

2. unlikely to pay: exposures for which – according to the judgement of the creditor bank – full repayment is unlikely (in terms of principal and/or interest and without considering recourse to actions such as the enforcement of guarantees). This assessment must be made independently of the presence of any overdue and unpaid amounts (or instalments). Since it is up to the bank to assess the improbability of repayment, it is not necessary to wait for the explicit symptom of anomaly (non-repayment), where there are elements that imply a situation of risk of default by the debtor (for example, loans and advances that present serious indications of anomaly such as a drastic drop in turnover, a worsening of financial indicators, a crisis in the industrial sector in which the debtor operates, or significant overruns reported to the Central Credit Register). The combination of cash and off-balance sheet exposures to the same debtor who is in the above situation is therefore called "Unlikely-to-pay" (unless the conditions are met for the debtor to be classified under non-performing loans). Unless the conditions for their classification as non-performing loans are met, unlikely to pay loans include exposures to issuers that have not honoured their payment obligations (principal or interest) related to listed debt securities on time. To

this end, the "grace period" envisaged by the contract or, failing that, recognised by the market where the securities are listed.

3. bad loans: cash and off-balance sheet exposures to an entity in a state of insolvency (even if not judicially ascertained) or in substantially comparable situations, regardless of any loss forecasts formulated by the Bank. The existence of any guarantees (secured or unsecured) stipulated to protect the exposures is disregarded. Loans and advances that present serious signs of insolvency attributable to significant and non-temporary difficulties of the overall financial situation will be coded in this category, such as, without being exhaustive, the start of insolvency proceedings, significant foreclosures by creditors, judicial mortgages, protests, news of financial distress, non-payment of a significant number of monthly instalments of loans with amortisation, reporting of non-performing loans by other financial institutions in the system for a significant amount compared with the uses, which lead the Bank to presume that there may be difficulty of recovery without taking legal action to recover the money. Exposures for which the anomalous situation is attributable to profiles relating to country risk are excluded.

With reference to impairment, the model based on the concept of "expected loss" is used for the instruments at amortised cost. Losses that are expected in the following 12 months (stage 1) are accounted for from initial recognition of the financial instrument. The time horizon for calculating the expected loss then becomes the entire residual life of the asset being measured, where the credit quality of the financial instrument has undergone a "significant" deterioration compared with the initial measurement ("stage 2") or if it turns out to be "impaired" ("stage 3").

More specifically, the rules relating to impairment involve:

- the allocation of performing financial assets in different stages of credit risk (a process known as "staging"), to which adjustments are applied based on the losses expected in the next 12 months ("Stage 1"), or over the entire residual lifetime of the instrument ("Stage 2"), in the presence of a significant increase in credit risk ("SICR") determined by comparing the Probabilities of Default on the date of initial recognition and at the date of the statement of financial position;
- allocation of non-performing financial assets to the so-called "Stage 3" , foreseen value adjustments through analytical evaluations;
- the inclusion in the calculation of expected credit losses ("ECL") of forward-looking information related, among other things, to how the macroeconomic scenario is likely to evolve.

Depending on what is required by the standard and how it is applied in practice, the main determinants to be taken into consideration when evaluating "transfers" between different stages are:

- the change in the rating/scoring with respect to the time of initial recognition of the financial instrument in the financial statements. It is therefore an evaluation carried out by adopting a "relative" criterion;

- the presence of any past due exposure which - without prejudice to the materiality thresholds identified by the legislation - has been such for at least 30 days. In this case, the credit risk of the exposure is presumed to be "significantly increased" and, therefore, this is followed by its "transfer" to stage 2 (if it was previously in stage 1);
- the possible presence of concession/forborne measures. It should be noted that, in relation to the current macroeconomic context, with reference to the COVID-19 emergency, the positions in the portfolio that currently benefit from the following decrees "ABI Imprese in ripresa 19" (ABI Moratoriums) or "Decree-Law 2020 of 2.0 March 17 – article 18. C.56 letter C" ("Cura Italia" decree), for which the counting of days past due has been frozen, are assessed as positions in "performing" status and allocated to Stage 21[2]. However, at the end of this support measure, counting the days of possible defaults starts again from the number of days past due at the time the measure was granted; the position will then be analysed according to its credit status at the time of its assessment.

As regards the method used for unimpaired (i.e., performing) loans, the assessment is carried out by estimating the expected loss, based on the usual risk parameters: probability of default (PD), loss given default (LGD) and exposure at default (EAD). PD is estimated, in accordance with the lending policies, using metrics obtained from external infoproviders for both joint-stock companies and the salary-backed loan portfolio; metrics based on rating/scoring models developed at consortium level by the IT outsourcer Cedacri for other exposures.

The LGD parameter used is obtained through regulatory values provided by regulatory indications or benchmark values, also in relation to market practices, to make the portfolio as representative as possible.

The adjustments determined on an overall basis are recorded in the statement of profit or loss. At each annual and interim reporting date, any additional adjustments or recoveries were recalculated differentially with reference to the entire performing loan portfolio on that date.

Derecognition

Financial assets are derecognised when they expire or are settled.

Hedging transactions

Hedging transactions have the purpose of reducing certain risks of potential loss on financial assets or liabilities through specific financial instruments. The type of hedge used is the cash flow hedge, the objective of which is to hedge the exposure to a particular risk associated with an asset or liability recognised in the financial statements, or with a highly probable forecast transaction, which could affect the statement of profit or loss in subsequent years.

The Bank has chosen to make use of the option to continue applying the criteria laid down in IAS 39 - Hedge Accounting for each type of hedge.

[2] For these cases, it is also reasonable to evaluate the possibility of transferring them prudently to Stage 2 in the event that a non-performing report in the "Central Credit Register" is observed or prejudicial news is received from sources outside the Bank.

At the date of initial recognition, hedging derivative contracts are recognised at fair value.

A derivative financial instrument is classified as a hedge if the relationship between the hedging instrument and the item being hedged is formally documented, including the risk management objectives, the hedging strategy and the methods that will be used to verify its prospective and retrospective effectiveness.

Generally, a hedge is considered effective when changes in the fair value (or future cash flows) of the hedging instrument offset changes in the financial instrument being hedged within an interval of 80% - 125%.

The effectiveness assessment is carried out at each year-end or interim reporting date. If the tests do not confirm the hedge's effectiveness, hedge accounting is interrupted from that moment and the derivative in question is reclassified to instruments held for trading. Furthermore, the hedging relationship ceases when the hedging instrument or the instrument being hedged expires, is extinguished or sold.

Derivative hedging instruments are measured at fair value. In the case of cash flow hedges, any change in the fair value of the hedging instrument, if considered effective, is recorded in a specific reserve. The ineffective part is charged to the statement of profit or loss.

PROPERTY, PLANT AND EQUIPMENT

Classification

Property, plant, and equipment include land, buildings used in the business, technical installations, furniture, furnishings, and all kinds of equipment. These tangible assets are used to supply goods and services, presumably for more than one accounting period.

Property, plant, and equipment held to be used for the purpose of carrying on the company's business and whose use is assumed to be longer than one year are defined as "assets held for business purposes". On the other hand, "assets held for investment purposes" are properties owned for the purpose of receiving rents or to earn capital gains. An investment property therefore differs from a business asset, in that it generates cash flows that are completely different from the other assets owned by the Bank.

The Bank holds property, plant, and equipment for business purposes. In addition, the Bank holds the rights of use which are mainly attributable to the lease of company buildings and cars. The classification model is based mainly on the type of assets subject to lease contracts.

Recognition

Property, plant and equipment are initially recognised at cost, which includes the purchase price, as well as any directly related purchasing costs and the costs incurred to bring the assets to working condition.

Non-routine maintenance costs that enhance the future economic benefits are recorded as an increase in asset value, whereas routine maintenance costs are booked to the statement of profit or loss.

As regards properties, IAS 16 lays down that land and buildings are to be considered as separate components for accounting purposes and should therefore be recognised separately on acquisition. The Bank does not own any properties.

In any new properties are purchased, the Bank will recognised the land separately from the building, in accordance with IAS 16.

With reference to the rights-of-use, it should be noted that they are recorded on the basis of IFRS 16 and therefore in consideration of the contractual duration and the related discount rates.

Measurement and recognition of profit or loss items

Property, plant, and equipment are stated at cost, net of accumulated depreciation and any impairment losses. Property, plant, and equipment are systematically depreciated over their useful lives on a straight-line basis, except for:

- land, whether acquired individually or incorporated into the value of buildings, as it has an indefinite useful life. In the event that its value is incorporated into the value of the building, by virtue of the component approach, it is considered an asset that can be separated from the building; the split between the value of the land and that of the building is based on independent expert appraisals.
- artwork, as the useful life of a work of art cannot be estimated and its value should normally increase over time.

Depreciation of an asset begins when it is available for use and ceases when it is derecognised. Depreciation does not cease when the asset is no longer used or is withdrawn from active use, unless it is fully depreciated.

At each annual or interim reporting date, if there is any indication that an asset may have suffered an impairment loss, a comparison is made between the carrying amount of the asset and its recovery amount, which is the greater of the fair value, net of any selling costs, and the related value in use, understood as the present value of future flows originating from the asset. Any adjustments are booked to the statement of profit or loss.

If the reasons that led to the recognition of a loss cease to exist, a recovery takes place, which cannot exceed the value that the asset would have had net of depreciation without the previous impairment losses.

With reference to the right-of-use, the effects of the measurement refer to the recognition of material impairment adjustments based on IAS 16.

Derecognition

Property, plant, and equipment are derecognised on disposal, or when they are permanently retired from use and no further economic benefits are expected from their disposal, pursuant to paragraph 67 of IAS 16. In the case of a sale and lease-back of an asset or set of assets to the same company, the transaction is accounted for in accordance with IAS 16 and IAS 15. In particular, in the event of failure to transfer the risks and benefits of ownership of the asset to the seller/lessor, any capital gain will be deferred over the duration of the lease which will therefore be considered a finance lease; otherwise, in the event of an operating lease contract, the capital gain will be fully recognised in the year in which the sale takes place.

INTANGIBLE ASSETS

Classification

Non-monetary assets that are identifiable, devoid of physical consistency and held for use long-term or for an indefinite period are defined as intangible.

It is considered identifiable when:

- it is separable, i.e., capable of being separated or split and sold, transferred, licensed, leased or exchanged;
- it derives from contractual rights or other legal rights regardless of whether these rights are transferable or separable from other rights and obligations.

The asset is controlled by the company as a consequence of past events and on the assumption that through its use, economic benefits will flow to the company. In fact, the company has control of an asset if it has the power to take advantage of future economic benefits deriving from the resource in question and can also limit access to these benefits by third parties.

An intangible asset is recognised as such if:

- it is probable that expected future economic benefits attributable to the asset will flow to the company;
- the cost of the asset can be reliably measured.

The probability of future economic benefits is assessed by representing the best estimate of the set of economic conditions that will exist during the useful life of the asset, taking into account the sources of information available at the time of initial recognition.

At year-end, intangible assets include applications software that will be used over a number of years. The Bank does not hold rights of use related to intangible assets.

Recognition and measurement

Intangible assets are only recorded at cost, adjusted for any related costs, if it is probable that the future economic benefits attributable to the asset will be realised and the cost of the asset can be measured reliably. In the absence of these conditions, the cost of the intangible asset is expensed to profit or loss in the period that it is incurred.

The cost of intangible assets with a limited useful life is amortised on a straight-line basis over their useful lives.

At any annual or interim reporting date, if there is evidence of impairment losses, the asset's recoverable amount is estimated. The loss charged to profit, or loss reflects the difference between the carrying amount of the asset and its recoverable amount.

Derecognition

Intangible assets are derecognised on disposal and if they are not expected to generate any further economic benefits.

LEASES

Recognition, classification and derecognition

The accounting standard, IFRS 16, issued by the IASB in January 2016 and approved by the European Commission through Regulation no. 1986/2017, from 1 January 2019 replaces IAS 17 "Leases", IFRIC 4 "Determining whether an agreement contains a lease", SIC 15 "Operating leases - Incentives" and SIC 27 "Evaluating the substance of transactions involving the legal form of a lease", and lays down the rules on lease accounting.

The new standard requires the company to identify whether a contract is (or contains) a lease, based on the concept of checking how a certain asset is used over a period of time.

It follows that rent, hire, rental or loan for use contracts that were previously not assimilated to leasing could now, under certain conditions, fall within the scope of application of the new rules on leasing.

In light of the above, significant changes have been made to the way the Bank accounts for lease transactions, including rent, hire, rental or loan for use contracts, to the extent that they can be assimilated. In particular, a single model of accounting for lease contracts is envisaged in the statement of financial position of the lessee/user, based on the so-called "right of use".

The main change involves overcoming IAS 17's distinction between operating and finance leases: this means that all lease contracts have to be accounted for in the same way, recognising an asset and a liability. The accounting model envisages recording the right to use the leased asset under assets (as "right-of-use assets"); payables for lease/rental instalments still to be paid to the lessor are shown under liabilities. There is also a change in the way that items are recognised in the statement of profit or loss: while for IAS 17 lease instalments are shown under administrative expenses, for IFRS 16 the costs to be recognised are depreciation on the right of use and interest expense on the lease payable.

The minimum disclosure required from lessees includes: − the division between the different "classes" of leased assets; − a maturity analysis of lease liabilities; − potentially useful information to understand the company's business better in terms of its lease contracts (for example, early repayment or extension options). On the other hand, except for some more disclosure requirements, there are no substantial changes in the way that leases are to be accounted for by lessors. In this case, the distinction between operating and finance leases remains. From 2019, the effects on the financial statements of applying IFRS 16 are identifiable for the lessee - leaving profitability and cash flows the same - in an increase in the assets recorded in the financial statements (the assets being leased), an increase in liabilities (the amount still payable for the assets being leased), a decrease in administrative expenses (the lease instalments) and a simultaneous increase in financial costs (interest on the payable) and depreciation (on the right of use). As for the statement of profit or loss, considering the entire duration of the contracts, the economic effect over the time horizon of the lease does not change if you apply IFRS 16 as opposed to IAS 17, but how it is split over time does change. For Banca Progetto, property lease contracts and car rental contracts fall within the scope of application of this standard. Property leases are the area where the impact of accounting for rights of use is the most significant.

As regards the duration of the lease, the Bank has decided to consider at the FTA date (and with full effect on new contracts) only the first renewal period as reasonably certain, unless there are particular contractual clauses, facts or circumstances that suggest additional renewals or that terminate the lease. Furthermore, it was decided not to apply the new standard to contracts with an overall lease term equal to or less than 12 months and to contracts with an underlying asset value equal to or less than Euro 5 thousand when new.

With regard to the discount rate, the Bank has decided to adopt the internal funding transfer rate.

CURRENT AND DEFERRED TAXATION

Income tax

The provision for income tax reflects a prudent estimate of the current and deferred tax charges. Deferred tax assets and liabilities represent temporary differences between the carrying amount of assets and liabilities and the corresponding values recognised for fiscal purposes.

Deferred tax assets and liabilities are accounted for separately in the statement of financial position, with the former in "Tax assets" and the latter in "Tax liabilities".

Deferred tax assets are recorded in the financial statements to the extent that their recovery is deemed likely, having regard for the Company's ability to generate taxable income on an ongoing basis.

If deferred tax assets and liabilities refer to components that have affected the statement of profit or loss, the contra-entry is to income tax. In cases where deferred tax assets and liabilities relate to transactions that directly affected equity without affecting the statement of profit or loss, they are recognised as a contra-entry to equity, affecting specific reserves when required.

The Company recognises the effects of deferred tax assets and liabilities by applying the tax rates in force on the reporting date.

PROVISIONS FOR RISKS AND CHARGES

Recognition, classification and derecognition

Provisions for risks and charges are liabilities that are uncertain in terms of their amount or when they will occur, recognised in the financial statements when all of the following conditions are met:

- there is a current obligation at the reporting date, which derives from a past event; the obligation must be either legal (i.e., it originates from a contract, legislation or other legal provision) or implicit (i.e. it arises when the company generates an expectation in third parties that it will fulfil its commitments, even if they are not a legal obligation);
- a financial outlay is likely to occur;
- it is possible to make a reliable estimate of the amount of the obligation.

Provisions for risks and charges include provisions for staff costs dealt with in IAS 19 and provisions for risks and charges dealt with in IAS 37.

Measurement and recognition of profit or loss items

Provisions are discounted, if the time element is significant. Provisions are charged to the statement of profit or loss. Allowances/recoveries to provisions for risks and charges and the effect deriving from the passage of time are allocated to "net allowances to provisions for risks and charges".

Accounting treatment of the Solidarity Fund

From an accounting point of view and in light of the provisions of IAS 19, the transaction - as a whole - falls within the area of benefits due for termination of employment. The sums paid (both as an incentive and as a monthly allowance) qualify as benefits due for the termination of employment as they derive from the Company's decision to terminate the employment relationship with the employee, without being forced to continue working, based on an agreement between the parties. The Company therefore recognises a liability (and the related cost) when the employee accepts the offer or when the Company can no longer withdraw the offer.

FINANCIAL LIABILITIES AT AMORTISED COST

Recognition

Deposits from banks, Deposits from customers and Debt securities in issue include the various forms of interbank and customer funding and the funds raised through certificates of deposit and debt securities in circulation, net of any amounts repurchased. This item also includes the financial liability deriving from the application of IFRS 16 as a contra-entry to the right to use the properties and company cars.

Classification

Initial recognition of such financial liabilities takes place on receipt of the sums raised or on issuance of the debt securities.

Initial recognition takes place based on the fair value of the liabilities, which is usually the same as the amount received or the issue price, including any additional costs or revenue directly attributable to the individual funding transaction and not reimbursed by the counterparty. Internal administrative costs are excluded.

The fair value of any financial liabilities issued at other than market conditions is subject to a specific estimate and the difference with respect to market value is recognised in profit or loss.

As regards the financial liability deriving from the recognition of lease contracts following the application of IFRS 16, please refer to the paragraph in question.

Measurement

Following initial recognition, financial liabilities are measured at amortised cost using the effective interest method. Short-term liabilities are an exception when the time factor is negligible, so they continue to be shown at the amount received.

Derecognition

Financial liabilities are derecognised when they expire or are settled. Derecognition also takes place on the repurchase of securities issued previously. The difference between the carrying amount of the liability and the amount paid to repurchase it is recorded in the statement of profit or loss.

TRANSACTIONS IN FOREIGN CURRENCIES

On initial recognition, foreign currency transactions are recorded in the functional currency, applying the exchange rate ruling on the transaction date to the amount in foreign currency.

At each annual or interim reporting date, foreign currency items are valued as follows:

- monetary items are translated at period-end rates of exchange;
- non-monetary items measured at historical cost are translated at the exchange rates ruling at the transaction dates;
- non-monetary items measured at fair value are translated at the exchange rates ruling at the period-end date.

Exchange differences deriving from the settlement of monetary items or from the translation of monetary items using rates other than the initial translation rate, or the rate used to translate the previous financial statements, are recorded in the statement of profit or loss for the period in which they arise.

If a gain or loss on a non-monetary item is recognised directly in equity, any exchange differences arising in relation to that gain or loss are also recognised directly in equity. On the other hand, if a gain or loss is recognised in the statement of profit or loss, the related exchange difference is also recognised in profit or loss.

OTHER INFORMATION

Employee severance indemnities

Employee severance indemnities are considered as a post-employment benefit with defined benefits, so booking them in the financial statements requires an estimate of their actuarial value.

The projected unit credit method is used for this estimate. This involves projecting future outflows based on an analysis of historical data and the demographic curve and discounting such flows using a market rate of interest.

This method is based on assessments that express the average present value of the pension obligations accrued on the basis of the years of service that the worker has provided up to the time when the assessment is carried out, extrapolating the worker's earnings. The method of calculation used can be summarised as follows:

- setting aside future portions of severance pay which will accrue up to the assumed time of payment;
- determining for each employee of the probable severance indemnity payments to be made by the Bank in the event of the employee leaving due to dismissal, resignation, incapacity, death or retirement, taking into account the possibility that they might ask for an advance;
- discounting each probable payment at the valuation date;
- re-proportioning, for each employee, of the probable, discounted benefits based on the years of service accrued up to the valuation date with respect to the total at the assumed date of payment.

Employee severance indemnities are recorded on the basis of their actuarial value, determined annually according to estimates made by an independent external actuary, also taking into account the regulatory changes made by Legislative Decree no. 252/2005. The provisions for staff severance indemnity are charged to the statement of profit or loss under "staff costs". The income components relating to actuarial gains or losses, on the other hand, are recognised (as required by Regulation 1910/2005 of 8 November 2005, published in the

Official Journal of the European Union on 24 November 2005) directly in equity, without passing through the statement of profit or loss, already in line with the new IAS 19 Revised. These actuarial components are therefore represented in the statement of other comprehensive income. With reference to the discount rate used in all the assessments made in accordance with IAS 19, reference was made to the term structure of interest rates, bootstrapping the swap rate curve at 30 December 2022 (Source: Bloomberg) for liabilities with an average residual duration of 25 years.

Revenue recognition

Revenue is recognised when it is received or, in any case, when it is probable that future benefits will be received, and these benefits can be reliably quantified. For example:

- interest is recognised on a time accrual basis at the contractual interest rate or at the effective interest rate if amortised cost is being applied;
- dividends are recognised in the statement of profit or loss when distribution is approved;
- revenue from brokering trading financial instruments, being the difference between the transaction price and the fair value of the instrument, is recognised in profit or loss when the transaction is recognised, if the fair value can be determined with reference to parameters or recent transactions observable on the same market in which the instrument is traded;
- other fees and commissions are recognised on an accruals basis, in particular, commission income for the investigation of salary-backed loans are recorded upfront in correlation with the costs incurred for the analysis and disbursement of the loans, which are also recorded immediately in the statement of profit or loss.

Cost recognition

Costs are accounted for when they are incurred.

Costs directly attributable to financial instruments at amortised cost and determinable from the start, regardless of when they are liquidated, flow to the statement of profit or loss by applying the effective interest rate.

Impairment losses are booked to profit or loss in the period that they are recognised.

A.3 - INFORMATION ON TRANSFERS BETWEEN PORTFOLIOS OF FINANCIAL ASSETS

With regard to the disclosures required by the Bank of Italy's Circular in paragraphs A.3 - Transfers between portfolios, Bank has not moved any financial assets between portfolios, except as required by IFRS 9.

A.4 – INFORMATION ON FAIR VALUE

Information of a qualitative nature

Information on fair value is shown below as required by IFRS 13, with which the Bank of Italy's circular no. 262 of 22 December 2005 and subsequent amendments complied.

IFRS 13 defines fair value as the consideration that could be received from selling an asset, or paid to transfer a liability, in a regular transaction between market operators on the trading date.

In the case of financial instruments listed on active markets, the fair value is determined on the basis of the official prices of the reference market. In the absence of a listing on an active market for the purpose of determining fair value, one has to use adequate measurement techniques for which sufficient data is available, maximising the use of observable inputs and minimising the use of non-observable inputs.

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

The Bank has classified its financial assets into different fair value levels on the basis of the following principles:

- Fair value level 1: the valuation is carried out at the market price of the financial instrument being valued, obtained on the basis of quotations expressed by an active market;
- Fair value level 2: the valuation is not based on quotations expressed by an active market, but on assessments that are available on info providers. That is on prices determined using certain calculation methods based on observable market parameters;
- Fair value level 3: the valuations are carried out using different inputs, through the inclusion of discretionary parameters, the value of which cannot be deduced exclusively from quotations of financial instruments present on active markets, but which have a decisive influence on the price in the final valuation. The fact that all the parameters cannot be observed directly on the market implies the need for estimates and assumptions by the evaluator.

The valuation techniques used have been adapted to the specific characteristics of the assets and liabilities being measured by means of a revenue/cost approach: this method converts future amounts (cash flows, revenues, expenses) into a single amount (which is then discounted). When this approach is used, the fair value calculation reflects current expectations of the future amount.

In general, the choice of inputs used is aimed at maximising the use of those directly observable on the market, minimising the use of internal estimates.

A.4.2 Valuation processes and sensitivity

In the tables shown in this section, the debt securities classified in Financial assets at amortised cost ("Held to collect") are measured at fair value. These securities, which are all listed on an active market, are measured at the market price on the last working day (Level 1).

The other assets and liabilities of the Bank are not measured at fair value for the purpose of recognition in the financial statements, but for these categories the fair value was recognised exclusively for IFRS 13 disclosure purposes.

The process used to determine the fair value of the other items in the financial statements is explained below. With reference to the assets in the statement of financial position:

- Financial assets at amortised cost: for this item it is assumed that the fair value is estimated by discounting future cash flows at the effective interest rate of the transaction. The exception is impaired loans for which it is assumed that the fair value corresponds to the carrying amount;
- Financial assets at fair value through other comprehensive income: Not applicable;
- Financial assets at fair value through profit or loss: Not applicable.
- Hedging derivatives : The fair value of the hedging derivative corresponds to the price that would be received on a sale between market operators at the measurement date. In this case, the fair value of the derivative outstanding at 31/12/2022 was determined by the Bank on the basis of market valuations as of that date.

With reference to the liabilities in the statement of financial position:

- Financial liabilities at amortised cost: for this item it is assumed that the fair value is estimated by discounting future cash flows at the effective interest rate of the liability;
- Financial liabilities held for trading: Not applicable:
- Financial liabilities at fair value: Not applicable.

Evaluation and control of the output data directly involves the Finance Department with the validation of the Bank's Risk Management Department, which verifies the consistency of the methods applied and the results obtained.

If necessary, the Finance Department can propose fair value levels for individual instruments and the use of a figure other than the transaction price if it thinks that the latter is not consistent with market values, submitting the results to the Risk Management Department.

A.4.3 Fair value hierarchy

In order to increase the consistency and comparability of the fair value calculation, IFRS 13 establishes a hierarchy according to the inputs used for the various measurement techniques. The hierarchy favours the use of prices quoted in active markets relating to identical assets or liabilities with respect to the use of inputs not directly observable on the market.

In detail:

- Level 1: the fair value is directly observable on active markets to which the entity has access at the fair value determination date for identical or comparable assets/liabilities.
- Level 2: the fair value is determined internally on the basis of inputs directly observable on the market.
- Level 3: the fair value is determined internally on the basis of inputs that are not directly observable.

A.4.4 Other information

The Bank does not have any of the situations discussed in IFRS 13 paragraphs 51, 93 letter (i) and 96.

Information of a quantitative nature

A.4.5 Fair value hierarchy

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

Assets/Liabilities at fair value	31/12/2022				31/12/2021			
	Level 1	Level 2	Level 3	TOTAL	Level 1	Level 2	Level 3	TOTAL
1. Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-
a) Financial assets held for trading	-	-	-	-	-	-	-	-
b) financial assets at fair value	-	-	-	-	-	-	-	-
c) other financial assets mandatorily at fair value	-	-	-	-	-	-	-	-
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-
3. Hedging derivatives	-	-	16,259	16,259	-	-	1,098	1,098
4. Property, plant, and equipment	-	-	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-	-	-
TOTAL	**-**	**-**	**16,259**	**16,259**	**-**	**-**	**1,098**	**1,098**
1. Financial liabilities held for trading	-	-	-	-	-	-	-	-
2. Financial liabilities at fair value	-	-	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-	-	-
TOTAL	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

BANCA PROGETTO

A.4.5.2 Annual changes in assets measured at fair value on a recurring basis (level 3)

	Financial assets at fair value through profit or loss				Financial assets at fair value through other comprehensive income	Hedging derivatives	Property, plant and equipment	Intangible assets
	Total	Of which: a) financial assets held for trading	Of which: b) financial assets at fair value	Of which: c) other financial assets mandatorily at fair value				
1. Opening balance	-	-	-	-	-	**1,098**	-	-
2. Increases	-	-	-	-	-	**15,161**	-	-
2.1 Purchases	-	-	-	-	-	-	-	-
2.2 Profits attributed to:	-	-	-	-	-	15,161	-	-
2.2.1 statement of profit or loss	-	-	-	-	-	-	-	-
-of which: Capital gains	-	-	-	-	-	-	-	-
2.2.2 Equity	X	X	X	-	-	15,161	-	-
2.3 Transfers from other levels	-	-	-	-	-	-	-	-
2.4 Other increases	-	-	-	-	-	-	-	-
3. Decreases	-	-	-	-	-	-	-	-
3.1 Sales	-	-	-	-	-	-	-	-
3.2 Reimbursement	-	-	-	-	-	-	-	-
3.3 Losses attributed to:	-	-	-	-	-	-	-	-
3.3.1 Statement of profit or loss	-	-	-	-	-	-	-	-
- of which: Capital losses	-	-	-	-	-	-	-	-
3.3.2 Equity	X	X	X	-	-	-	-	-
3.4 Transfers to other levels	-	-	-	-	-	-	-	-
3.5 Other decreases	-	-	-	-	-	-	-	-
4. Closing balance	-	-	-	-	-	**16,259**	-	-

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

Assets/liabilities not at fair value or at fair value on a non-recurring basis	31/12/2022				31/12/2021			
	CA	L1	L2	L3	CA	L1	L2	L3
1. Financial assets at amortised cost	6,478,437	471,391	-	6,825,515	4,396,261	502,298	-	4,143,035
2. Property, plant and equipment held for investment purposes	-	-	-	-	-	-	-	-
3. Non-current assets and disposal groups held for sale	-	-	-	-	-	-	-	-
TOTAL	**6,478,437**	**471,391**	-	**6,825,515**	**4,396,262**	**502,298**	-	**4,143,035**
1. Financial liabilities at amortised cost	6,376,854	-	-	6,377,258	4,438,882	-	-	4,443,219
2. Liabilities associated with non-current assets and disposal groups held for sale	-	-	-	-	-	-	-	-
TOTAL B	**6,376,854**	-	-	**6,377,258**	**4,438,882**	-	-	**4,443,219**

CONSOLIDATED FINANCIAL STATEMENTS 2022

Part B —
INFORMATION ON THE STATEMENT OF FINANCIAL POSITION

ASSETS

SECTION 1 – CASH AND CASH EQUIVALENTS – ITEM 10

1 Cash and cash equivalents: breakdown

	31/12/2022	31/12/2021
a) Cash	1	1
b) Current accounts and sight deposits with Central Banks	42,336	181,198
c) Current accounts and sight deposits with Banks	5,920	36,882
Total	**48,257**	**218,081**

The balance at 31 December 2022, Euro 48.3 million, is mainly attributable to the cash on deposit with the Bank of Italy, as well as the cash on sight current accounts with other credit institutions.

SECTION 4 - FINANCIAL ASSETS AT AMORTISED COST - ITEM 40

4.1 Financial assets at amortised cost: breakdown by sector of loans and advances to banks

Type of transaction/Amounts	31/12/2022						31/12/2021					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Stages 1 and 2	Stage 3	Impaired (acquired or originated)	L1	L2	L3	Stages 1 and 2	Stage 3	Impaired (acquired or originated)	L1	L2	L3
A. Due from Central Banks	**39,098**	-	-	-	-	**39,098**	**23,021**	-	-	-	-	**23,021**
1. Term deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Mandatory reserve	39,098	-	-	X	X	X	23,021	-	-	X	X	X
3. Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	-	-	-	X	X	X	-	-	-	X	X	X
B. Receivables due from banks	**28,376**	-	-	-	-	**28,376**	**9,988**	-	-	-	-	**9,988**
1. Loans	28,376	-	-	-	-	28,376	9,988	-	-	-	-	9,988
1.1. Current accounts	18,148	-	-	X	X	X	9,988	-	-	X	X	X
1.2. Term deposits	-	-	-	X	X	X	-	-	-	X	X	X
1.3. Other loans:	10,229	-	-	X	X	X	-	-	-	X	X	X
- Reverse repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
- Lease loans	-	-	-	X	X	X	-	-	-	X	X	X
- Other	10,229	-	-	X	X	X	-	-	-	X	X	X
2. Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	-	-	-	-	-	-	-	-	-	-	-	-
Total	**67,474**	-	-	-	-	**67,474**	**33,009**	-	-	-	-	**33,009**

4.2 Financial assets at amortised cost: breakdown by sector of receivables due from customers

Type of transaction/Amounts	TOTAL 31/12/2022						TOTAL 31/12/2021					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Stages 1 and 2	Stage 3	Impaired (acquired or originated)	L1	L2	L3	Stages 1 and 2	Stage 3	Impaired (acquired or originated)	L1	L2	L3
Loans	**5,557,068**	**354,796**	**164**	**-**	**-**	**6,286,650**	**3,778,141**	**83,523**	**185**	**-**	**-**	**4,110,026**
1.1. Current accounts	1	80	-	X	X	X	1	72	-	X	X	X
1.2. Reverse repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
1.3. Mortgage loans	4,874,330	342,785	57	X	X	X	3,225,169	70,036	65	X	X	X
1.4. Credit cards, personal loans and salary-backed loans	617,346	11,931	107	X	X	X	552,070	12,381	120	X	X	X
1.5. Financial leases	-	-	-	X	X	X	-	-	-	X	X	X
1.6. Factoring	64,360	-	-	X	X	X	-	-	-	X	X	X
1.7. Other loans	1,031	-	-	X	X	X	901	1,034	-	X	X	X
Debt securities	**498,935**	**-**	**-**	**471,391**	**-**	**-**	**501,403**	**-**	**-**	**502,298**	**-**	**-**
2.1 Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	498,935	-	-	471,391	-	-	501,403	-	-	502,298	-	-
Total	**6,056,003**	**354,796**	**164**	**471,391**	**-**	**6,286,650**	**5,822,693**	**83,523**	**185**	**502,298**	**-**	**4,110,026**

Item 1.6 Factoring refers to the purchase without recourse of VAT credits, an activity that was launched in 2022.

4.3 Financial assets at amortised cost: breakdown by debtors/issuers of receivables due from customers

Type of transaction/Amounts	TOTAL 31/12/2022			TOTAL 31/12/2021		
	Stages 1 and 2	Stage 3	Impaired (acquired or originated)	Stages 1 and 2	Stage 3	Impaired (acquired or originated)
1. Debt securities	**498,935**	**-**	**-**	**501,403**	**-**	**-**
a) Public administration agencies	498,935	-	-	501,403	-	-
b) Other finance companies	-	-	-	-	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	-	-	-	-	-	-
2. Loans to:	**5,557,067**	**354,796**	**165**	**3,778,141**	**83,523**	**185**
a) Public administration agencies	72,453	605	-	131	-	-
b) Other finance companies	9,953	3,003	-	53,170	83	-
of which: insurance companies	1	2,616	-	-	-	-
c) Non-financial companies	4,826,488	337,363	-	3,148,549	68,404	-
d) Households	648,173	13,825	165	576,291	15,036	185
Total	**6,056,002**	**354,796**	**165**	**4,279,544**	**83,523**	**185**

4.4 Financial assets at amortised cost: gross amount and overall impairment adjustments

Items/Amounts	Gross amount					Overall impairment adjustments				Total write-offs (*)
	Stage1	of which: low credit-risk instruments	Stage 2	Stage 3	Impaired (acquired or originated)	Stage 1	Stage 2	Stage 3	Impaired (acquired or originated)	
Debt securities	499,142	499,142	-	-	-	(207)	-	-	-	-
Loans	4,819,958	-	818,153	396,344	180	(5,805)	(7,764)	(41,548)	(16)	-
Total 31/12/2022	**5,319,100**	**499.142**	**818,153**	**396,344**	**180**	**(6,012)**	**(7,764)**	**(41,548)**	**(16)**	**-**
Total 31/12/2021	**3,913,163**	**501,856**	**408,512**	**102,646**	**195**	**(4,900)**	**(4,222)**	**(19,123)**	**(10)**	**(420)**

(*) Amount to be shown for disclosure purposes.

4.4a Loans at amortised cost subject to Covid-19 support measures: gross amount and overall impairment adjustments

Items/Amounts	Gross amount					Overall impairment adjustments				Overall partial write-offs (*)
	Stage 1	of which: low credit-risk instruments	Stage 2	Stage 3	Impaired (acquired or originated)	Stage 1	Stage 2	Stage 3	Impaired (acquired or originated)	
1. Loans subject to forbearance in compliance with the Guidelines	-		-	-	-	-	-	-	-	-
2. Loans subject to current moratorium measures no longer compliant with the Guidelines and not considered subject to forbearance	-	-	-	-	-	-	-	-	-	-
3. Loans subject to other forbearance measures	-	-	-	104	-	-	-	(21)	-	-
4. New loans	2,595,026	-	609,675	267,580		(3,164)	(5,635)	(21,879)	-	-
31/12/2022	**2,595,026**	**-**	**609,675**	**267,684**		**(3,164)**	**(5,635)**	**(21,900)**	**-**	**-**
31/12/2021	**2,610,174**	**-**	**255,728**	**51,850**	**67**	**(3,691)**	**(3,168)**	**(6,353)**	**(2)**	**-**

SECTION 5 – HEDGING DERIVATIVES – ITEM 50

5.1 Hedging derivatives: breakdown by type of hedge and hierarchical levels

	31/12/2022				31/12/2021			
	Nominal value	Fair value			Nominal value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Financial derivatives	**204,117**	-	-	**16,259**	**278,058**	-	-	**1,098**
1) Fair value	-	-	-	-	-	-	-	-
2) Financial flows	204,117	-	-	16,259	278,058	-	-	1,098
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Financial flows	-	-	-	-	-	-	-	-
TOTAL	**204,117**	-	-	**16,259**	**278,058**	-	-	**1,098**

Financial derivatives refer to a single swap contract entered into by the vehicle Progetto Quinto S.r.l. to swap the floating rate of the Senior note with a fixed rate in order to hedge the interest rate risk.

5.2 Hedging derivatives: breakdown by hedged portfolio and by type of hedge

TRANSACTIONS/HEDGE TYPE	FAIR VALUE							FINANCIAL FLOWS		FOREIGN INVESTMENTS
	Specific						Generic	Specific	Generic	
	debt securities and interest rates	equities and stock indexes	currencies and gold	credit	commodities	other				
1. Financial assets at fair value through other comprehensive income	-	-	-	-	X	X	X	-	X	X
2. Financial assets at amortised cost	-	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X		X		X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
TOTAL ASSETS	-	-	-	-	-	-	-	-	-	-
1. Financial liabilities	-	X	-	-	-	-	X	204,117	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
TOTAL LIABILITIES	-	-	-	-	-	-	-	**204,117**	-	-
1. Expected transactions	X	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X	-	X	-	-

The amount of 204,117 refers to the Senior note issued by Veicolo Progetto Quinto S.r.l., placed on the capital market and fully subscribed by qualified investors.

SECTION 9 – PROPERTY, PLANT AND EQUIPMENT – ITEM 90

9.1 Property, plant and equipment for use in the business: breakdown of assets carried at cost

ASSETS/AMOUNTS	31/12/2022	31/12/2021
1. Assets owned	**588**	**332**
a) land	-	-
b) buildings	-	-
c) furniture	263	190
d) electronic systems	304	123
e) other	21	19
2. Assets acquired under finance leases	**5,730**	**1,343**
a) land	-	-
b) buildings	5,523	1,092
c) furniture	-	-
d) electronic systems	-	-
e) other	207	251
TOTAL	**6,318**	**1,675**
of which: obtained through the enforcement of guarantees received	-	-

9.6a Property, plant, and equipment for use in the business: changes during the year

	LAND	BUILDINGS	FURNITURE	ELECTRONIC SYSTEMS	OTHER	TOTAL
A. Gross opening balance	**-**	**-**	**1,203**	**608**	**351**	**2,162**
A.1 Total net impairment	-	-	(1,013)	(485)	(332)	(1,830)
A.2 Net opening balance	-	-	190	123	19	332
B. Increases	**-**	**-**	**131**	**259**	**10**	**400**
B.1 Purchases	-	-	131	259	10	400
B.2 Leasehold improvements	-	-	-	-	-	-
B.3 Recoveries	-	-	-	-	-	-
B.4 Positive changes in fair value booked to:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
B.5 Exchange gains	-	-	-	-	-	-
B.6 Transfer of buildings held for investment purposes	-	-	X	X	X	-
B.7 Other changes	-	-	-	-	-	-
C. Decreases:	**-**	**-**	**(58)**	**(78)**	**(8)**	**(144)**
C.1 Sales	-	-	-	(3)	-	(3)
C.2 Depreciation	-	-	(58)	(75)	(8)	(141)
C.3 Impairment adjustments booked to	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
C.4 Negative changes in fair value booked to	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) property, plant, and equipment held for investment purposes	-	-	X	X	X	-
b) Non-current assets and disposal groups held for sale	-	-	-	-	-	-
C.7 Other changes	-	-	-	-	-	-
D. Net closing balance	**-**	**-**	**263**	**304**	**21**	**588**
D.1 Total net adjustments	-	-	(1,070)	(556)	(340)	(1,966)
D.2 Gross closing balance	-	-	1,333	860	361	2,554
E. Measurement at cost	**-**	**-**	**263**	**304**	**21**	**588**

9.6b Property, plant, and equipment for use in the business: annual changes in the rights of use acquired under leases.

	LAND	BUILDINGS	FURNITURE	ELECTRONIC SYSTEMS	OTHER	TOTAL
A. Gross opening balance	**-**	**2,369**	**-**	**-**	**435**	**2,804**
A.1 Total net impairment	-	(1,277)	-	-	(183)	(1,460)
A.2 Net opening balance	-	1,092	-	-	252	1,344
B. Increases	**-**	**5,532**	**-**	**-**	**70**	**5,602**
B.1 Purchases	-	5,532	-	-	70	5,602
B.2 Leasehold improvements	-	-	-	-	-	-
B.3 Recoveries	-	-	-	-	-	-
B.4 Positive changes in fair value booked to:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
B.5 Exchange gains	-	-	-	-	-	-
B.6 Transfer of buildings held for investment purposes	-	-	X	X	X	-
B.7 Other changes	-	-	-	-	-	-
C. Decreases:	**-**	**(1,101)**	**-**	**-**	**(115)**	**(1,216)**
C.1 Sales	-	-	-	-	-	-
C.2 Depreciation	-	(1,101)	-	-	(115)	(1,216)
C.3 Impairment adjustments booked to	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
C.4 Negative changes in fair value booked to:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) property, plant, and equipment held for investment purposes	-	-	X	X	X	-
b) Non-current assets and disposal groups held for sale	-	-	-	-	-	-
C.7 Other changes	-	-	-	-	-	-
D. Net closing balance	**-**	**5,523**	**-**	**-**	**207**	**5,730**
D.1 Total net adjustments	-	(2,378)	-	-	(298)	(2,676)
D.2 Gross closing balance	-	7,901	-	-	505	8,406
E. Measurement at cost	**-**	**5,523**	**-**	**-**	**207**	**5,730**

SECTION 10 – INTANGIBLE ASSETS – ITEM 100

10.1 Intangible assets: breakdown by type of assets

ASSETS/AMOUNTS	31/12/2022		31/12/2021	
	DEFINED DURATION	INDEFINITE DURATION	DEFINED DURATION	INDEFINITE DURATION
A.1 Goodwill	X	-	X	-
A.2 Other intangible assets	**2,688**	-	**2,216**	-
A.2.1 Assets carried at cost:	2,688	-	2,216	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	2,688	-	2,216	-
TOTAL	**2,688**	-	**2,216**	-

10.2 Intangible assets: changes during the year

	Goodwill	Other internally generated intangible assets		Other intangible assets: other		TOTAL
		DEFINED DURATION	INDEFINITE DURATION	DEFINED DURATION	INDEFINITE DURATION	
A. Gross opening balance	-	-	-	**2,216**	-	**2,216**
A.1 Total net impairment	-	-	-	-	-	-
A.2 Net opening balance	-	-	-	2,216	-	2,216
B. Increases	-	-	-	**1,349**	-	**1,349**
B.1 Purchases	-	-	-	1,349	-	1,349
B.2 Increase in internal intangible assets	X	-	-	-	-	-
B.3 Recoveries	X	-	-	-	-	-
B.4 Positive valuation at fair value:	-	-	-	-	-	-
a) equity	X	-	-	-	-	-
b) profit or loss	X	-	-	-	-	-
B.5 Exchange gains	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases:	-	-	-	**(877)**	-	**(877)**
C.1 Sales	-	-	-	-	-	-
C.2 Adjustments	-	-	-	(877)	-	(877)
a) Amortisation	X	-	-	(877)	-	(877)
b) Impairment	-	-	-	-	-	-
to equity	X	-	-	-	-	-
to profit or loss	-	-	-	-	-	-
C.3 Negative changes in fair value	-	-	-	-	-	-
to equity	X	-	-	-	-	-
to profit or loss	X	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Net closing balance	-	-	-	**2,688**	-	**2,688**
D.1 Total net adjustments	-	-	-	-	-	-
E. Gross closing balance	-	-	-	**2,688**	-	**2,688**
F. Measurement at cost	-	-	-	**2,688**	-	**2,688**

Key:
DEF: defined duration
INDEF: indefinite duration

Intangible assets consist of software as a result of the investments made for the IT evolution of the Bank and the development of some front-end operating applications for the sale of instant products.

SECTION 11 – TAX ASSETS AND TAX LIABILITIES – ITEM 110 OF ASSETS AND ITEM 60 OF LIABILITIES

11.1 Deferred tax assets: breakdown

	31/12/2022	31/12/2021
A. Gross deferred tax assets	**5,310**	**3,901**
A1. Loans	758	758
A2. Other financial instruments	-	-
A3. Goodwill	23	23
A4. Deferred charges	-	-
A5. Property, plant, and equipment	-	-
A6. Provisions for risks and charges	3,260	1,447
A7. Entertainment expenses	-	-
A8. Staff costs	1,270	905
A9. Tax losses	-	768
A10. Unused tax credits to be deducted	-	-
A11. Other	-	-
B. Offsetting with deferred tax liabilities	**-**	**-**
C. Net deferred tax assets	**5,311**	**3,901**

The deferred tax assets recognised at 31 December 2022 refer for Euro 4.5 million to temporary differences and for Euro 0.8 million to the deductibility of impairment adjustments on receivables recorded in previous years, relating to the portions not yet deducted following Law 214/2011. Personnel costs include the variable component of remuneration which is estimated at the end of the financial year.

11.2 Deferred tax liabilities: breakdown

	31/12/2022	31/12/2021
A. Gross deferred tax liabilities	**-**	**-**
A2. Other financial instruments	5,377	363
A11. Other	-	-
B. Offsetting with deferred tax assets	**-**	**-**
C. Net deferred tax liabilities	**5,377**	**363**

Deferred tax liabilities refer exclusively to deferred taxes on the fair value of the hedging derivative of the vehicle Progetto Quinto S.r.l.

11.3 Change in deferred tax assets (with contra-entry to profit or loss)

	31/12/2022	31/12/2021
1. Opening balance	**3,901**	**9,447**
2. Increases	**3,440**	**2,371**
2.1 Deferred tax assets recognised during the period	3,440	2,291
a) related to previous periods	-	912
b) due to changes in accounting policies	-	-
c) recoveries	-	-
d) other	3,440	1,379
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	80
3. Decreases	**(2,030)**	**(7,917)**
3.1 Deferred tax assets cancelled during the period	(2,030)	(7,917)
a) reversals	(768)	(7,117)
b) written off as now considered unrecoverable	-	-
c) change in accounting policies	-	-
d) other	(1,262)	(800)
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
a) transformation into tax credit under Law 214/2011	-	-
b) other	-	-
4. Closing balance	**5,311**	**3,901**

11.4 Changes in deferred tax assets under Law 214/2011

	31/12/2022	31/12/2021
1. Opening balance	**781**	**701**
2. Increases	**-**	**80**
3. Decreases	**-**	**-**
3.1 Reversals	-	-
3.2 Transformations into tax credits	-	-
a) from operating losses	-	-
b) from tax losses	-	-
3.3 Other decreases	-	-
4. Closing balance	**781**	**781**

11.7 Changes in deferred taxes (contra entry to equity)

	31/12/2022	31/12/2021
1. Opening balance	**363**	**-**
2. Increases	**363**	**363**
2.1 Deferred taxes recognised during the period	-	-
a) related to previous periods		
b) due to changes in accounting policies	-	-
c) recoveries	-	-
d) other	5,014	363
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**-**	**-**
3.1 Deferred tax assets cancelled during the period	-	-
a) reversals	-	-
b) written off as now considered unrecoverable	-	-
c) change in accounting policies	-	-
d) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
a) transformation into tax credit under Law 214/2011	-	-
b) other	-	-
4. Closing balance	**5,377**	**363**

11.8 Other Information

1. Current tax assets

	31/12/2022	31/12/2021
A. Gross current tax assets	**5,417**	**1,151**
A1. IRES advances	2,190	56
A2. IRAP advances	3,199	965
A3. Other credits and withholdings	28	130
B. Offsetting against current tax liabilities	**-**	**-**
C. Net current tax assets	**5,417**	**1,151**

The sub-item "Other credits and withholdings" includes tax credits awaiting reimbursement.

2. Current tax liabilities

	31/12/2022	31/12/2021
B. Current tax liabilities	**(26,495)**	**(5,393)**
B1. Payables for IRES	(21,448)	(2,192)
B2. Payables for IRAP	(5,047)	(3,203)
B. Current tax liabilities	**(26,495)**	**(5,395)**

SECTION 13 – OTHER ASSETS – ITEM 130

13.1 Other assets: breakdown

	31/12/2022	31/12/2021
- Items in progress	124,473	7,717
- Tax receivables from the Italian and other tax authorities	15,908	8,697
- Prepayments not attributable to a particular item	4,275	2,342
- Other	739	679
- Leasehold improvements	532	228
Total	**145,927**	**19,663**

Tax receivables include, inter alia, advance payments of stamp duty for Euro 6.5 million, advance payments of withholding taxes on interest from deposit accounts for Euro 4 million and advance payments of the substitute tax on medium/long term loans for Euro 5.2 million.

Items in progress mainly include the balance of some transitional accounts pending settlement for the processing of bank transfers, Sepa direct debits and salary-backed loans; Euro 118.9 million of which relate to corporate loan instalments in December which were received in the first few days of January 2023.

Prepayments refer to costs incurred financially during the current year but which, in whole or in part, pertain to subsequent periods.

LIABILITIES AND EQUITY

SECTION 1 – FINANCIAL LIABILITIES AT AMORTISED COST - ITEM 10

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

Type of securities/Amounts	31/12/2022				31/12/2021			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Due to Central Banks	**632,750**	**X**	**X**	**X**	**1,230,678**	**X**	**X**	**X**
2. Payables due to banks	**131,835**	**X**	**X**	**X**	**46,227**	**X**	**X**	**X**
2.1 Current accounts and sight deposits	-	X	X	X	-	X	X	X
2.2. Term deposits	-	X	X	X	12,000	X	X	X
2.3. Loans	131,835	X	X	X	34,185	X	X	X
2.3.1 Repurchase agreements	-	X	X	X	-	X	X	X
2.3.2 Other	131,835	X	X	X	34,185	X	X	X
2.4 Payables for commitment to repurchase own capital instruments	-	X	X	X	-	X	X	X
2.5 Payables per leasing	-	X	X	X	-	X	X	X
2.6 Other liabilities	-	X	X	X	42	X	X	X
TOTAL	**764,585**	**-**	**-**	**764,585**	**1,276,905**	**-**	**-**	**1,276,905**

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

The item Due to central banks represents the book value of the TLTRO III, PELTRO and Long-Term Refinancing Operations loans obtained from the ECB.
As regards the fair value of the payables due to banks, given their technical form and short-term maturity, it is reasonable to assume that their fair value does not deviate significantly from their carrying amount. The item Loans - Other refers to the financing transactions with underlying junior securities of the Progetto Quinto S.r.l. and Progetto PMI S.r.l. securitisations.

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

Type of securities/Amounts	31/12/2022				31/12/2021			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Current accounts and sight deposits	52,300	X	X	X	66,005	X	X	X
2. Term deposits	4,316,644	X	X	X	2,790,978	X	X	X
3. Loans	55,047	X	X	X	25,005	X	X	X
3.1 Repurchase agreements	-	X	X	X	-	X	X	X
3.2 Other	55,047	X	X	X	25,005	X	X	X
4. Payables for commitment to repurchase own capital instruments	-	X	X	X	-	X	X	X
5. Payables for leasing	6,177	X	X	X	1,376	X	X	X
6. Other liabilities	1,230	X	X	X	981	X	X	X
TOTAL	**4,431,398**	**-**	**-**	**4,431,398**	**2,884,345**	**-**	**-**	**2,884,345**

As regards the fair value of payables due to customers, given their technical form and relatively short-term maturity, it is reasonable to assume that their fair value does not deviate significantly from their carrying amount.

1.3 Financial liabilities at amortised cost: breakdown by sector of outstanding securities

Type of securities/Amounts	31/12/2022				31/12/2021			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities	**1,180,870**	**-**	**-**	**1,180,380**	**277,630**	**-**	**-**	**281,938**
1. Bonds	1,180,870	-	-	1,180,380	277,630	-	-	281,938
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	1,180,870	-	-	1,180,380	277,630	-	-	281,938
2. other securities	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	-	-	-	-	-	-	-	-
TOTAL	**1,180,870**	**-**	**-**	**1,180,380**	**277,630**	**-**	**-**	**281,938**

Other bonds consist of the senior tranche of ABS securities issued by the vehicles Progetto Quinto S.r.l., Progetto SME S.r.l. and Progetto SME 2 S.r.l.

The Progetto Quinto S.r.l. securities were placed on the capital market; the others are held by their initial subscribers.

1.6 Payables for leasing

ASSETS/AMOUNTS	31/12/2022	31/12/2021
Finance lease liabilities:	**6,177**	**1,376**
a) land	-	-
b) buildings	5,964	1,120
c) furniture	-	-
d) electronic systems	-	-
e) other	213	256
TOTAL	**6,177**	**1,376**

SECTION 6 – TAX LIABILITIES – ITEM 60

See section 11 of Assets.

SECTION 8 – OTHER LIABILITIES – ITEM 80

8.1 Other liabilities: breakdown

Items/Element	31/12/2022	31/12/2021
Various tax items	21,884	8,764
Other	20,363	14,220
Items in progress	16,615	14,669
Amounts due to social security institutions	1,240	954
Other amounts due to the staff	349	292
Third-party effects - difference between transferor account and portfolio account	83	42
TOTAL	**60,534**	**38,941**

Miscellaneous tax items mainly refer to stamp duties to be paid of Euro 6.3 million, withholding taxes for interest on deposit accounts of Euro 8.2 million and substitute tax as per Presidential Decree 601 of Euro 6.4 million.

Items in progress include bank transfers to be settled of Euro 10.3 million, which were recorded in the first few working days after the end of the financial year, and salary-backed loans of Euro 5.7 million.

The other items includes the balance of invoices to be received for Euro 7.6 million, accruals not attributable to a particular item for Euro 3.1 million and trade payables for Euro 5.2 million.

SECTION 9 – EMPLOYEE SEVERANCE INDEMNITIES – ITEM 90

9.1 Employee severance indemnities: changes during the year

Items/Elements	31/12/2022	31/12/2021
A. Opening balance	**766**	**586**
B. Increases	**277**	**218**
B.1 Provisions for the period	277	218
B.2 Other changes	-	-
C. Decreases	**(90)**	**(38)**
C.1 Indemnities paid	(26)	(25)
C.2 Other changes	(64)	(13)
D. Closing balance	**953**	**766**
Total	**953**	**766**

9.2 Other Information

Under paragraph 135 of IAS 19, the demographic assumptions, the economic-financial assumptions and the sensitivity analysis of the defined-benefit obligation (severance indemnities) are shown below in order to provide details on how the present value of the obligation was estimated, as well the changes that would take place in the event of different demographic or economic-financial scenarios, compared with those used at 31 December 2021.

DEMOGRAPHIC ASSUMPTIONS

- The probabilities of death were inferred from the Italian population, distinguished by age and gender as measured by ISTAT in 2000 and reduced by 25%;
- The probabilities of a member of staff becoming disabled and having to leave the company as a result are taken from the invalidity tables currently used in reinsurance practice, distinguished by age and gender;
- for the probabilities of stopping work due to resignations and layoffs, the annual frequencies were estimated, based on company data, over an observation period from 2009 to 2022 and set at 6.00% per year;
- the probabilities of a request for an advance have been estimated on the basis of company data and set at 0.93% per year, with an average advance of 80.0%;
- for the period when the average member of staff is likely to go into retirement, it was assumed that they would have to meet the first of the requirements for a pension under the Compulsory General Insurance rules;
- as regards the inflation assumption, reference was made to the "2022 Economic and Financial Document - Update - Revised and integrated version" with the latest update of 4 November 2022 which provides for an annual base rate of 5.5% for 2023, 2.6% for 2024 and 2% for 2025. Based on this update, a flat annual rate of 2% was assumed from 2026.

ECONOMIC-FINANCIAL ASSUMPTIONS

The macroeconomic scenario used for the assessment is the following:

- Rate of increase in pay 3.50%
- Discount rate 2.57%

The substitute tax in the new measure established by the 2015 Stability Law (art. 44, paragraph 3, Law no. 190 of 23 December 2014) applies to revaluations of severance indemnities starting from 1 January 2015.

With reference to the discount rate adopted in all the assessments attributable to IAS 19, reference was made to the term structure of interest rates "bootstrapped" from the swap rate curve recorded at 30/12/2022 (Source: Bloomberg) and set with respect to liabilities with an average residual duration of 25 years.

SENSITIVITY ANALYSIS

DBO - Interest Rate Sensitivities		**DBO -Turn-over Rate Sensitivities**	
Down (-0.5%)	1,010	Down (-0.5%)	957
Best	953	Best	953
Up (+0.5%)	902	Up (+0.5%)	950
DBO - Mortality Rate Sensitivities		**DBO – Annual Income Growth Rate Sensitivities**	
Down (-0.025%)	954	Down (-0.5%)	935
Best	953	Best	953
Up (+0.025%)	953	Up (+0.5%)	973

SECTION 10 – PROVISIONS FOR RISKS AND CHARGES – ITEM 100

10.1 Provisions for risks and charges: breakdown

Items/Elements	31/12/2022	31/12/2021
1. Provisions for credit risk related to commitments and financial guarantees given	11	24
2. Provisions for other commitments and other guarantees given	-	-
3. Post-retirement benefit obligations	-	-
4. Other provisions for risks and charges	13,596	7,103
4.1 legal and tax disputes	131	194
4.2 staff costs	3,815	2,754
4.3 other	9,650	4,155
Total	**13,607**	**7,127**

"Other provisions for risks and charges – staff costs" are made up principally of:

- Euro 3.7 million from the Provision for staff incentives. The amount of the provision has been estimated according to the limits set by the "Remuneration and Incentive Policies". The amounts actually awarded will be defined, at the end of the performance management process, by the second quarter of 2023, taking into account the actual results achieved by individual employees in compliance with the Supervisory Authority's instructions in this matter. The cost for personal incentives is included in the statement of profit or loss under item Staff costs
- Euro 0.1 million from the 2014-2015 Solidarity Fund. This fund will be liquidated by 30 June 2024.

"Other provisions for risks and charges – others" amount to Euro 9.6 million and refer to:

- Euro 0.9 million for the agents' termination indemnities, calculated on an actuarial basis;
- Euro 1.1 million for the estimated commissions earned by agents/brokers on the basis of production volumes;
- for Euro 7.5 million for potential disputes and future charges, for which it is probable that there will be a cost for the Bank, most of which related to the Constitutional Court's sentence in the "Lexitor" case with reference to salary/pension-backed loans;
- Euro 0.1 million for other provisions.

10.2 Provisions for risks and charges: changes during the year

	Provisions for other commitments and other guarantees given	Post-retirement benefit obligations	Other provisions for risks and charges	TOTAL
A. Opening balance	**24**	**-**	**7,103**	**7,127**
B. Increases	-	**-**	**10,298**	**10,298**
B1. Provision for the period	-	-	10,295	10,295
B2. Changes due to the passage of time	-	-	-	-
B3. Changes due to changes in the discount rate	-	-	-	-
B4. Other changes	-	-	3	3
C. Decreases	**(13)**	**-**	**(3,805)**	**(3,818)**
C1. Use during the year	(13)	-	(3,645)	(3,658)
C2. Changes due to changes in the discount rate	-	-	-	-
C3. Other changes	-	-	(160)	(160)
D. Closing balance	**11**	**-**	**13,596**	**13,607**

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

	Provisions for credit risk related to commitments and financial guarantees given				
	Stage 1	Stage 2	Stage 3	Acquired or originated impaired loans	Total
Commitments to disburse funds	8	3	-	-	11
Financial guarantees given	-	-	-	-	-
TOTAL	**8**	**3**	**-**	**-**	**11**

SECTION 13 – EQUITY – ITEMS 120, 130, 140, 150, 160, 170 AND 180

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

Items/Amounts	31/12/2022				31/12/2021			
	Par value per share	Par value of fully paid-up shares	Par value of shares not fully paid up		Par value per share	Par value of fully paid-up shares	Par value of shares not fully paid up	
			Paid	Unpaid			Paid	Unpaid
Ordinary shares	-	10,404	-	-	-	10,404	-	-
Preference shares	-	-	-	-	-	-	-	-
Savings shares	-	-	-	-	-	-	-	-
Total	**-**	**10,404**	**-**	**-**	**-**	**10,404**	**-**	**-**

13.2 Share capital – number of shares: changes during the year

Items/Type	Ordinary	Other
A. Shares in issue at the beginning of the period	**1,887,029,460**	**-**
- fully paid	1,887,029,460	-
- not fully paid	-	-
A.1 Treasury shares (-)	-	-
A.2 Shares in circulation: opening balance	**1,887,029,460**	**-**
B. Increases	**-**	**-**
B.1 New issues	-	-
- for payment:	-	-
- business combinations	-	-
- on conversion of bonds	-	-
- on exercise of warrants	-	-
- other	-	-
- bonus issues:	-	-
- in favour of employees	-	-
- in favour of directors	-	-
- other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other changes	-	-
C. Decreases	**-**	**-**
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	-	-
C.2 Business transfers	-	-
C.4 Other changes	-	-
D. Shares in circulation: closing balance	**1,887,029,460**	**-**
D.1 Treasury shares (+)	-	-
D.2 Shares in issue at the end of the period	1,887,029,460	-
- fully paid	1,887,029,460	-
- not fully paid	-	-

13.3 Share capital – Other information

At the end of 2022, the shareholder made a non-returnable payment on account towards a future increase in capital of Euro 10 million. This amount is included in the Bank's equity.

13.4 Retained earnings: other information

Items/Amounts	31/12/2022	31/12/2021	Possible use
Line item 110. Valuation reserves	**10,754**	**(542)**	-
- Financial assets at FV through other comprehensive income	-	-	-
- Actuarial gains (losses) on defined-benefit pension plans	(128)	(193)	(*)
- Cash flow hedge	10,882	735	(*)
Line item 140. Reserves	**97,557**	**46,569**	-
- retained earnings	11,898	(29,089)	-
a) legal reserve	3,080	1,031	B
b) statutory reserve			-
c) other reserves - retained earnings	8,818	(30,120)	ABC
- other reserves for IAS/IFRS	(4,550)	(4,550)	-
- unrestricted	-	-	-
- restricted	(4,550)	(4,550)	-
- payments towards future increases in capital	90,092	80,093	AB
- other	117	117	AB
Item 150. Share premium reserve	**54,048**	**54,048**	-

Key

A: Increase in share capital

B: Loss coverage

C: Distribution to shareholders

(*) The reserve follows the limits on distribution provided for in article 6 of Legislative Decree 38/2005

SECTION 14 - NON-CONTROLLING INTERESTS - ITEM 190

14.1 Breakdown of item 210 "Equity pertaining to non-controlling interests"

Items/Amounts	31/12/2022	31/12/2021
Equity of Lake Securitisation S.r.l.	-	10
Equity of Progetto Quinto Securitisation S.r.l.	10	10
Equity of Progetto SME S.r.l.	10	-
Equity of Progetto SME 2 S.r.l.	10	-
Total	**30**	**20**

This is the equity relating to the securitisation vehicle Progetto Quinto S.r.l. and to the two new vehicles Progetto PMI S.r.l. and Progetto PMI 2 S.r.l. for the securitisation completed by the Bank in June and December 2022 respectively.

On 22 December 2022 the vehicle Lake Securitisation S.r.l. in liquidation was cancelled from the Companies Register.

OTHER INFORMATION

1. Commitments and financial guarantees given

	Nominal value of commitments and financial guarantees given				31/12/2022	31/12/2021
	Stage 1	Stage 2	Stage 3	Acquired or originated impaired loans		
Commitments to disburse funds	**2,318**	**76**	**-**	**-**	**2,394**	**1,380**
a) Central Banks	-	-	-	-	-	-
b) Public administration agencies	-	-	-	-	-	-
c) Banks	-	-	-	-	-	-
d) Other finance companies	-	-	-	-	-	-
e) Non-financial companies	2,301	76	-	-	2,377	1,375
f) Households	17	-	-	-	17	5
Financial guarantees given	**5**	**-**	**-**	**-**	**5**	**155**
a) Central Banks	-	-	-	-	-	-
b) Public administration agencies	-	-	-	-	-	-
c) Banks	-	-	-	-	-	-
d) Other finance companies	-	-	-	-	-	-
e) Non-financial companies	5	-	-	-	5	155
f) Households	-	-	-	-	-	-

3. Assets created as collateral for own liabilities and commitments

PORTFOLIOS	31/12/2022	31/12/2021
1. Financial assets at fair value through profit or loss	-	-
2. Financial assets at fair value through other comprehensive income	-	-
3. Financial assets at amortised cost	878,287	1,503,603
4. Property, plant and equipment	-	-
of which: fixed assets that constitute inventories	-	-

The amount of Euro 878 million shown in the table corresponds to loans guaranteeing refinancing operations with the ECB.

5. Administration and dealing on behalf of third parties

Type of services	Amount
1. Execution of orders on behalf of customers	**-**
a) Purchases	-
1. settled	-
2. not settled	-
b) Sales	-
1. settled	-
2. not settled	-
2. Individual portfolio management	**-**
3. Custody and administration of securities	**854,422**
a) third-party securities on deposit: related to role of custodian bank (excluding portfolio management schemes)	-
1. securities issued by the bank preparing the financial statements	-
2. other securities	-
b) third party securities on deposit (excluding portfolio management): other	24
1. securities issued by the bank preparing the financial statements	24
2. other securities	-
c) Third-party securities on deposit with third parties	24
d) own securities on deposit with third parties	854,374
4. Other transactions	**-**

CONSOLIDATED FINANCIAL STATEMENTS 2022

Part C —
INFORMATION ON THE STATEMENT OF PROFIT OR LOSS

SECTION 1 – INTEREST - ITEMS 10 AND 20

1.1 Interest and similar income: breakdown

ITEMS/TECHNICAL FORMS	Debt securities	Loans	Other transactions	31/12/2022	31/12/2021
1. Financial assets at fair value through profit or loss:	-	-	-	-	-
1.1 Financial assets held for trading	-	-	-	-	-
1.2 Financial assets at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily at fair value	-	-	-	-	-
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-
3. Financial assets at amortised cost:	**2,461**	**233,664**	-	**236,125**	**128,426**
3.1 Receivables due from banks	-	1,517	-	1,517	2,997
3.2 Receivables due from customers	2,461	232,147	-	234,608	125,429
4. Hedging derivatives	-	-	-	-	-
5. Other assets	-	-	-	-	-
6. Financial liabilities	-	-	-	-	-
Total	**2,461**	**233,664**	-	**236,125**	**128,426**
of which: interest income on impaired financial assets	-	6,907	-	6,907	1,712
of which: interest income on finance leases	-	-	-	-	-

1.3 Interest expense and similar charges: breakdown

Line items/Technical forms	Payables	Securities	Other transactions	31/12/2022	31/12/2021
1. Financial liabilities at amortised cost	**(49,237)**	**(6,302)**	-	**(55,539)**	**(25,034)**
1.1 Due to Central Banks	(1,580)	-	-	(1,580)	(114)
1.2 Payables due to banks	(2,077)	-	-	(2,077)	(202)
1.3 Payables due to customers	(45,580)	-	-	(45,580)	(24,027)
1.4 Debt securities in issue	-	(6,302)	-	(6,302)	(691)
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities at fair value	-	-	-	-	-
4. Other liabilities and provisions	-	-	-	-	-
5. Hedging derivatives	-	-	**342**	**342**	**(1,024)**
6. Financial assets	-	-	-	-	-
TOTAL	**(49,237)**	**(6,302)**	**342**	**(55,197)**	**(26,058)**
of which: interest expense on lease liabilities	(131)	-	-	(131)	(29)

1.5 Differentials relating to hedging transactions

ITEMS	31/12/2022	31/12/2021
A. Positive differentials relating to hedging transactions:	342	-
B. Negative differentials relating to hedging transactions:	-	1,024
C. Balance (A-B)	**342**	**1,024**

SECTION 2 – FEES AND COMMISSIONS – ITEMS 40 AND 50

2.1 Fee and commission income: breakdown

Type of services/Figures	31/12/2022	31/12/2021
a) Financial instruments	-	-
1. Securities placement	-	-
-	-	-
-	-	-
2. Activities of receiving and transmitting orders and executing orders on behalf of customers	-	-
-	-	-
-	-	-
3. Other fees associated with activities related to financial instruments	-	-
-	-	-
-	-	-
b) Corporate Finance	-	-
1. Consulting on mergers and acquisitions	-	-
2. Treasury services	-	-
3. Other fees associated with corporate finance services	-	-
c) Investment advisory services	-	-
d) Clearing and settlement	-	-
e) Custody and administration	-	-
1. Custodian bank	-	-
2. Other fees related to the custody and administration activity	-	-
f) Central administrative services for collective portfolio management	-	-
g) Fiduciary activity	-	-
h) Payment services	**109**	**191**
1. Current accounts	1	1
2. Credit cards	-	-
3. Debit cards and other payment cards	-	-
4. Bank transfers and other payment orders	-	-
5. Other commissions related to payment services	108	190
i) Distribution of third-party services	**107**	**106**
1. Collective portfolio management	-	-
2. Insurance products	-	-
3. Other products	107	106
-	-	-
j) Structured finance	-	-
k) Servicing for securitisations	-	-
l) Commitments to disburse funds	-	-
m) Financial guarantees given	-	-
of which: credit derivatives	-	-
n) Financing operations	**4,411**	**3,133**
of which: for factoring operations	-	-
o) Currency trading	-	-
p) Commodities	-	-
q) Other commission income	**209**	**85**
of which: for management of multilateral trading systems	-	-
Total	**4,836**	**3,515**

Fee and commission income, amounting to Euro 4.8 million (Euro 3.5 million in 2021), is mainly attributable to the commission earned on distributing salary-backed loans, early extinction of loans and collection services.

2.2 Fee and commission expense: breakdown

TYPE OF SERVICES/FIGURES	31/12/2022	31/12/2021
a) Financial instruments	-	-
of which: trading in financial instruments	-	-
of which: placement of financial instruments	-	-
of which: individual portfolio management	-	-
-	-	-
-	-	-
b) Clearing and settlement	-	-
c) Custody and administration	(41)	(28)
d) Collection and payment services	(36)	(161)
of which: credit cards, debit cards and other payment cards	-	-
e) Servicing for securitisations	(2)	-
f) Commitments to receive funds	-	-
g) Financial guarantees received	(81)	-
of which: credit derivatives	-	-
h) Door-to-door offer of financial instruments, products and services	-	-
i) Currency trading	-	-
j) Other commission expense	(5,465)	(2,871)
Total	**(5,625)**	**(3,060)**

Fee and commission expenses under item j) "other fee and commission expenses" mainly include Euro 4.4 million relating to the cost generated by the German online platform for funding in deposit accounts, Euro 0.9 million in expense contributions and other charges paid to the network of agents/brokers.

SECTION 6 – GAINS/LOSSES ON DISPOSAL/REPURCHASE - ITEM 100

6.1 Gains (losses) on disposal/repurchase: breakdown

ITEMS/INCOME ELEMENTS	31/12/2022			31/12/2021		
	Gains	Losses	Net result	Gains	Losses	Net result
Financial assets						
1. Financial assets at amortised cost:	**-**	**-**	**-**	**5,214**	**-**	**5,214**
1.1 Receivables due from banks	-	-	-	-	-	-
1.2 Receivables due from customers	-	-	-	5,214	-	5,214
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-
2.1. Debt securities	-	-	-	-	-	-
2.4. Loans	-	-	-	-	-	-
TOTAL ASSETS	**-**	**-**	**-**	**5,214**	**-**	**5,214**
Financial liabilities at amortised cost	-	-	-	-	-	-
1. Payables due to banks	-	-	-	-	-	-
2. Payables due to customers	-	-	-	-	-	-
3. Debt securities in issue	-	-	-	-	-	-
TOTAL LIABILITIES	**-**	**-**	**-**	**-**	**-**	**-**

SECTION 8 - NET IMPAIRMENT ADJUSTMENTS FOR CREDIT RISK - ITEM 130

8.1 Net impairment adjustments for credit risk on financial assets at amortised cost: breakdown

Transactions/Income elements	IMPAIRMENT ADJUSTMENTS (1)						RECOVERIES (2)				31/12/2022	31/12/2021
	Stage 1	Stage 2	Stage 3		Impaired (acquired or originated)		Stage 1	Stage 2	Stage 3	Impaired (acquired or originated)		
			Write-offs	Other	Write-offs	Other						
A. Receivables due from banks	**(59)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(59)**	**(20)**
- Loans	(59)	-	-	-	-	-	-	-	-	-	(59)	(20)
- Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
b) Receivables due from customers	**(1,346)**	**(3,540)**	**(821)**	**(30,563)**	**-**	**-**	**246**	**-**	**2,264**	**-**	**(33,760)**	**(14,220)**
- Loans	(1,346)	(3,540)	(821)	(30,563)	-	-	-	-	2,264	-	(34,006)	(14,262)
- Debt securities	-	-	-	-	-	-	246	-	-	-	246	42
Total	**(1,405)**	**(3,540)**	**(821)**	**(30,563)**	**-**	**-**	**246**	**-**	**2,264**	**-**	**(33,819)**	**(14,240)**

The impairment adjustments and recoveries on loans to customers shown in the table are detailed as follows:

- adjustments to stages 1 and 2: Euro 4.9 million relating to the measurement of the performing loan portfolio;

- recoveries to stage 1: Euro 0.2 million relate to the assessment of the creditworthiness of the portfolio of government securities classified in the held to collect category;
- adjustments to stage 3: Euro 9.1 million referring to bad loans and Euro 22.3 million to other impaired positions;
- recoveries to stage 3: for Euro 1.5 million they refer to bad loans and for Euro 0.7 million to other impaired positions.

8.1a Net impairment adjustments for credit risk relating to loans at amortised cost subject to Covid-19 support measures: composition

Transactions/Income elements	NET ADJUSTMENTS						TOTAL 31/12/2022	TOTAL 31/12/2021
	Stage 1	Stage 2	Stage 3		Impaired			
			Write-offs	Other	Write-offs	Other		
1. Loans subject to forbearance in compliance with the Guidelines	-	-	-	-	-	-	-	(1,166)
2. Loans subject to current moratorium measures no longer compliant with the Guidelines and not considered subject to forbearance	-	-	-	-	-	-	-	-
3. Loans subject to other forbearance measures	-	-	-	(15)	-	-	(15)	(182)
4. New loans	(162)	(4,139)	-	(17,782)	-	-	(22,083)	(9,014)
C. Total	**(162)**	**(4,139)**	**-**	**(17,797)**	**-**	**-**	**(22,098)**	**(10,362)**

SECTION 12 – ADMINISTRATIVE EXPENSES – ITEM 190

12.1 Staff costs: breakdown

Type of expense/Category	31/12/2022	31/12/2021
1) Employees	**(17,443)**	**(12,426)**
a) wages and salaries	(12,625)	(9,087)
b) social contributions	(3,236)	(2,292)
c) employee severance indemnities	(390)	(297)
d) pension costs	-	-
e) provision for employee severance indemnities	(277)	(217)
f) provision for post-retirement benefit obligations:	-	-
- defined-contribution	-	-
- defined-benefit	-	-
g) payments to external supplementary pension funds:	(199)	(157)
- defined-contribution	-	-
- defined-benefit	(199)	(157)
h) share-based payments	-	-
i) other staff benefits	(716)	(376)
2) Other staff in service	(73)	(84)
3) Directors and statutory auditors	(1,432)	(1,325)
4) Staff in retirement	-	-
5) Recovery of costs for employees in secondment to other companies	-	-
6) Reimbursement of costs for third-party employees seconded to the Company	-	-
Total	**(18,948)**	**(13,835)**

Item “1) letter i) - Other benefits in favour of employees” mainly refers to insurance policies in favour of employees for Euro 330 thousand, courses for Euro 197 thousand and various welfare bonuses for Euro 189 thousand.

12.2 Average number of employees, by level

	31/12/2022	31/12/2021
Employees:	187	132
a) Managers	16	12
b) Executives	67	52
c) Other employees	104	68
Other staff	7	9

12.5 Other administrative expenses: breakdown

Type of expense/Amounts	31/12/2022	31/12/2021
a) IT expenses	**(13,239)**	**(8,236)**
- system assistance and software rental	(6,029)	(2,658)
- machine and hardware fees	(285)	(179)
- electronic processing	(6,925)	(5,399)
b) expenses for rents and rental fees	**(332)**	**(118)**
- buildings	(199)	(56)
- machines	(133)	(62)
c) maintenance of furniture and buildings	**(212)**	**(146)**
d) purchase of non-professional goods and services	**(794)**	**(434)**
- stationery and printed matter	(15)	(14)
- postal and telephone and data transmission	(234)	(168)
- electricity, water and heating	(168)	(61)
- transport	(165)	(85)
- office cleaning	(82)	(58)
- general expenses	(130)	(48)
e) expenses for professional services	**(8,723)**	**(7,674)**
- legal and notary services	(1,039)	(935)
- searches and information	(1,502)	(1,151)
- sundry services and consulting	(6,182)	(5,588)
f) insurance premiums	**(274)**	**(161)**
g) advertising and representation expenses	**(1,938)**	**(530)**
h) indirect taxes and duties (stamp, register and others)	**(12,851)**	**(9,238)**
i) other	**(9,534)**	**(4,410)**
- sundry charities and donations	(37)	(40)
- membership fees and union contributions	(7,686)	(3,154)
- other	(1,770)	(1,216)
Total	**(47,897)**	**(30,947)**

The increase in IT expenses is the result of investments in the infrastructure needed for the technological transformation and development of the Bank and its businesses, as well as the costs involved in outsourcing certain processes.

The increase in expenses for professional services is the result of a greater use of external databases, using companies to outsource certain back-office processes for salary-backed loans, monitoring companies and document control. The increase in expenses is also a consequence of the volume of disbursements recorded in 2022, which led to an increase in all variable costs.

Within the item "indirect taxes and duties", there was a substantial increase in indirect taxes for stamp duty of Euro 6.3 million and substitute tax as per Presidential Decree 601 of Euro 6.4 million, resulting from the increase in volumes of transactions linked to deposit accounts (for which the Bank bears the related charge) and for the disbursement of medium/long-term loans (for which the customer is charged with the income being shown in "other operating income").

Sub-item i) other expenses of Euro 9.5 million, includes membership fees of Euro 7.7 million, which mainly refer to the contribution to the FITD, both ordinary and extraordinary, which amounts to Euro 6.6 million and the contribution to the European Single Resolution Fund of Euro 0.9 million. Sub-item i) other expenses of Euro 4.4 million, includes membership fees of Euro 3.2 million, which mainly refer to the contribution to the FITD which amounts to Euro 2.7 million and the contribution to the European and national Resolution Fund of Euro 0.3 million.

SECTION 13 – NET PROVISIONS FOR RISKS AND CHARGES – ITEM 200

Net provisions for credit risk on commitments to disburse funds and financial guarantees given: breakdown

Type of expense/Amounts	31/12/2022	31/12/2021
Net provisions for credit risk on commitments to disburse funds and financial guarantees given: breakdown		
- provisions for the period:	-	-
a) stages 1 and 2	-	-
b) stage 3	-	-
Re-allocation to the statement of profit or loss:		
a) stages 1 and 2	13	(22)
b) stage 3	-	-
TOTAL	**13**	**(22)**

13.3 Net allocations to other provisions for risks and charges: breakdown

Type of expense/Amounts	31/12/2022	31/12/2021
Allocations to provisions for risks and charges:		
Legal disputes	(12)	(104)
Other risks and charges	(6,683)	(1,748)
Breakdown of re-allocation to profit or loss of provisions for risks and charges		
Legal disputes	-	24
Other risks and charges	-	101
TOTAL	**(6,695)**	**(1,727)**

Provisions for other risks and charges refer for Euro 0.9 million to the commissions for agents and brokers linked to production volumes and the quality of the portfolio and for Euro 0.4 million to the agents' termination indemnities calculated according to actuarial calculations; the other Euro 0.5 million relates to estimates of future disbursements for which it is probable that an economic burden will arise for the Bank, mainly resulting from the Constitutional Court's sentence in the "Lexitor" case in relation to the reimbursement of upfront commissions on early repayments of salary and pension-backed loans.

SECTION 14 – NET ADJUSTMENTS TO PROPERTY, PLANT AND EQUIPMENT - ITEM 210

14.1 Net adjustments to property, plant and equipment: breakdown

Asset/income component	Depreciation (A)	Impairment adjustments (B)	Recoveries (C)	Net result (A+B-C)
A. Property, plant and equipment				
1 For use in the business	(1,356)	-	-	(1,356)
- owned	(140)	-	-	(140)
- rights of use acquired with leases	(1,216)	-	-	(1,216)
2 Held for investment purposes				
- owned	-	-	-	-
- rights of use acquired with leases	-	-	-	-
TOTAL	**(1,356)**	**-**	**-**	**(1,356)**

SECTION 15 – NET ADJUSTMENTS TO INTANGIBLE ASSETS – ITEM 220

15.1 Net adjustments to intangible assets: breakdown

Asset/Income component	Amortisation (A)	Impairment adjustments (B)	Recoveries (C)	Net result (A + B - C)
A. Intangible assets	**(877)**	**-**	**-**	**(877)**
of which: software	(877)	-	-	(877)
A.1 Owned	(877)	-	-	(877)
- generated internally	-	-	-	-
- other	(877)	-	-	(877)
A.2 Rights of use acquired with leases	-	-	-	-
TOTAL	**(877)**	**-**	**-**	**(877)**

SECTION 16 – OTHER OPERATING CHARGES/INCOME - ITEM 230

16.1 Other operating charges: breakdown

Items/Amounts	31/12/2022	31/12/2021
Depreciation of leasehold improvements	(122)	(115)
Loss for the sale of property, plant and equipment	-	(3)
Sundry other charges	(113)	(123)
TOTAL	**(235)**	**(241)**

16.2 Other operating income: breakdown

Items/Amounts	31/12/2022	31/12/2021
Recovery of taxes and duties	6,745	5,661
Recovery of other expenses	-	-
Gains on sale of property, plant and equipment	-	-
Sundry other income	18	149
TOTAL	**6,763**	**5,812**

Recovery of taxes and duties mainly includes the recovery of the substitute tax as per Presidential Decree 601 on medium/long-term loans.

SECTION 21 – TAX ON INCOME FROM CONTINUING OPERATIONS – ITEM 300

21.1 Tax on income from continuing operations: breakdown

	Income components/Amounts	31/12/2022	31/12/2021
1.	Current tax (-)	(26,495)	(5,395)
2.	Changes in current tax from previous years (+/ -)	(2)	331
3.	Reduction in current tax for the period (+)	-	-
3.bis	Reduction in current tax for the period for tax credits as per Law 214/2011 (+)	-	-
4.	Change in deferred tax assets (+/-)	1,410	(5,627)
5.	Change in deferred tax liabilities (+/-)	-	-
6.	Tax for the period (-) (-1+/-2+3+/-4+/-5)	(25,087)	(10,691)

21.2 Reconciliation between theoretical tax charge and effective tax charge

IRES	Taxable income	IRES	%
Theoretical IRES tax burden	**77,071**	**21,194**	**27.50%**
Increases	11,132	-	-
Decreases	(4,783)	-	-
Use of prior year losses	(2,793)	-	-
ACE (tax deduction for reinvested profits)	-	-	-
Surplus ACE brought forward	-	-	-
Effective IRES tax burden	**77,992**	**21,448**	**27.83%**

IRAP	Taxable income	IRAP	%
Theoretical IRAP tax burden	**77,071**	**4,293**	**5.57%**
Higher IRAP tax base	24.155	-	-
Increases	6,127	-	-
Decreases	(1,668)	-	-
Other deductions	-	-	-
Effective IRAP tax burden	**90,613**	**5,047**	**6.55%**

The higher IRAP tax base is attributable to the difference between operating income and the pre-tax profit for the year. "Other deductions" mainly include subsidies relating to the tax wedge.

SECTION 24 – OTHER INFORMATION

Banca Progetto S.p.A. is not part of any banking group. It is therefore not necessary to report in this section the summary statements required by article 2497 bis of the Italian Civil Code.

Part D —
COMPREHENSIVE INCOME

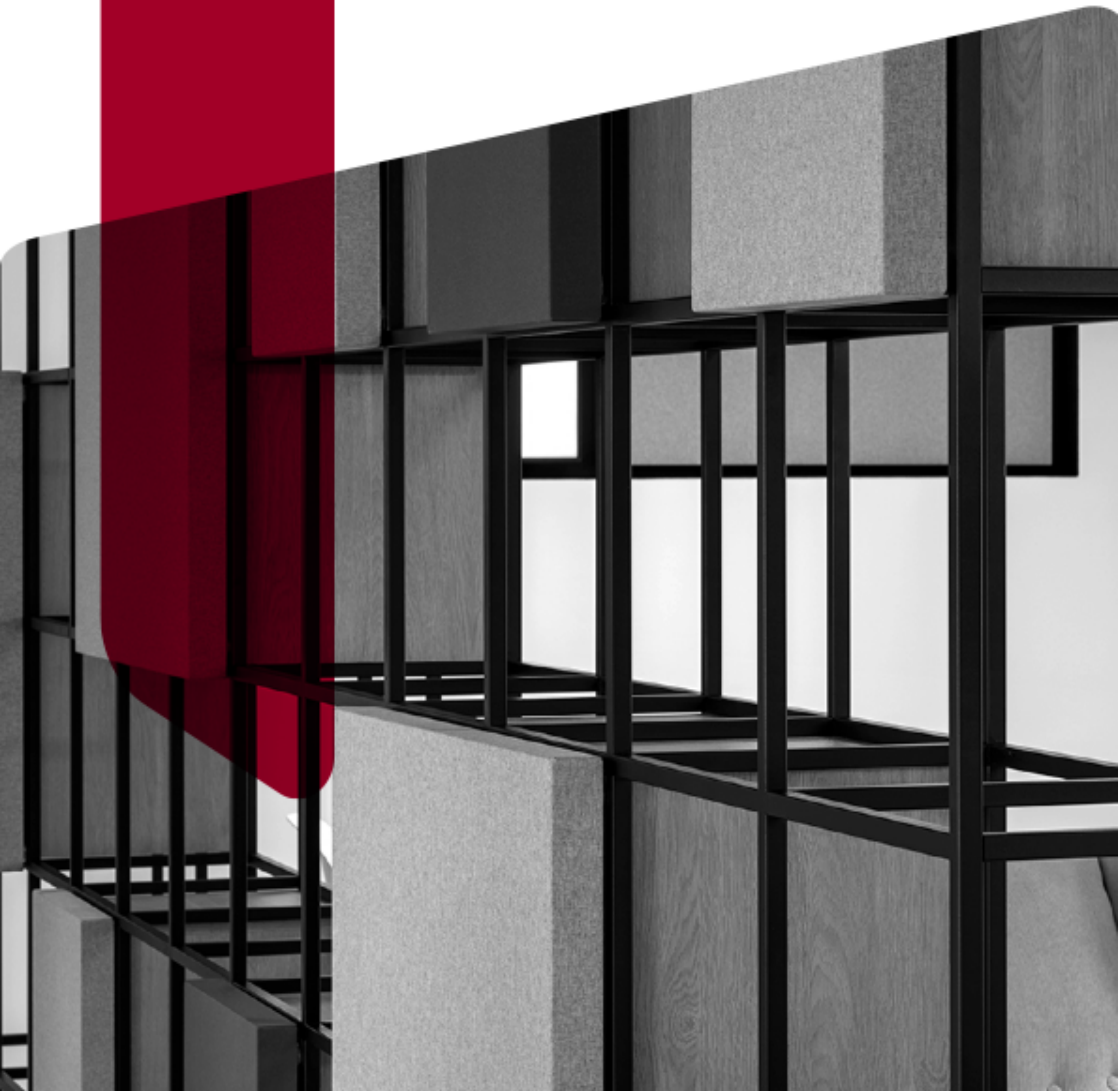
ANALYTICAL CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME AT 31 DECEMBER 2022

	Items	31/12/2022	31/12/2021
10.	**Profit (loss) for the year**	**51,984**	**40,988**
	Other comprehensive income not reclassified to profit or loss	**64**	**13**
70.	Defined-benefit plans	64	13
	Other comprehensive income reclassified to profit or loss	**10,146**	**2,135**
130.	**Hedging of financial flows:**	**10,146**	**2,135**
150.	**Financial assets (other than equities) at fair value through other comprehensive income**	-	-
	a) changes in fair value	-	-
	b) reversal to profit or loss	-	-
	- adjustments for credit risk	-	-
	- profits/losses on disposal	-	-
	c) other changes	-	-
190.	**Total other comprehensive income**	**10,210**	**2,148**
200.	**Comprehensive income (Item 10+190)**	**62,194**	**43,136**

CONSOLIDATED
FINANCIAL
STATEMENTS
2022

BANCA PROGETTO

Part E —
INFORMATION ON RISKS AND HEDGING POLICIES



Risk governance

Banca Progetto S.p.A. has drawn up specific internal regulations and delegated powers for the corporate governance mechanisms in order to formalise the tasks and responsibilities of the corporate bodies and functions involved in risk management and control.

The strategic guidelines and risk management policies are resolved by the relevant bodies, taking into account the Bank's operations and associated risk profile and providing for their periodic review in order to ensure their effectiveness over time.

The Bank has adopted an internal control system based on three levels, in line with the current legal and regulatory provisions. This model envisages the following types of control:

- First level: line controls which aim to ensure correct execution of operations and which, as far as possible, are incorporated into IT procedures; they are carried out by the same operating and business structures;
- Second level: risk and compliance controls which aim to ensure, among other things:
    - correct implementation of the risk management process;
    - compliance with the operating limits assigned to the various functions;
    - compliance by the company's operations with the regulations, including self-regulation.

  The functions in charge of these controls are distinct from those in charge of production and contribute to the definition of risk governance policies and the risk management process.
- Third level: internal audit controls aimed at identifying violations of procedures and regulations, as well as periodically assessing the completeness, adequacy, functionality (in terms of efficiency and effectiveness) and reliability of the organisational structure of the other components of the internal control and information systems, with a frequency set in relation to the nature and intensity of the risks.

The internal control system is periodically subject to supervision and adaptation in relation to the evolution of company operations and the situation in general.

In this context, the Bank has identified a Head of the Risk Management Function, who reports to the Chief Executive Officer.

The Risk Management Function looks after the preparation and application of the methods and tools for identifying, measuring and controlling risks, in implementation of the policies defined by the competent bodies and supervises their monitoring.

This function constantly controls risk exposure and monitors capital absorption and the current and future adequacy of Own Funds to meet capital requirements, providing the Supervisory Bodies with the information required by current legislation. The same function is called upon to promote a risk culture at all levels of the Bank.

As part of the "Corporate lending policies", the Bank has defined and updated on a six-monthly basis, with the support of Prometeia, a consultancy, its "Guidelines for the definition of sector lending policies", with the objective of providing strategic guidelines for the Bank's credit positioning with a view to managing overall risk and ensuring sustainable development of the business and customer relations.

In relation to the macro-economic situation that emerged in March 2022 with the war in Ukraine, Prometeia was requested to carry out an in-depth study of the Bank's corporate portfolio and an analysis of the potential impact of the effects of the conflict between Russia and Ukraine on individual sectors potentially affected (at ATECO code level).

An assessment of the materiality of the Bank's portfolio was carried out to identify the micro-sectors directly or indirectly impacted by the war; sectors that by their nature could potentially be vulnerable, depending above all on whether they were energy-intensive or not, establishing lines of strategy for lending to them.

Although the portfolio was marginally exposed to those micro-sectors directly or indirectly impacted by the conflict, to ensure greater prudence in terms of "Expected Credit Loss", for the micro-sectors mentioned above, an adjustment factor has been added to the lifetime PD curve used for calculating impairment provisions. This corrective will be subject to periodic review for as long as these macro-economic conditions persist.

SECTION 1 - CREDIT RISK

INFORMATION OF A QUALITATIVE NATURE

1. General aspects

The objectives and strategies of the Bank's lending activity are aimed at:

- selecting individual counterparties by analysing their ability to honour commitments contractually undertaken, so as to contain credit risk;
- diversifying credit risk, identifying the Bank's natural operating area in loans of limited amount, as well as limiting the concentration of exposures to groups of customers, groups of companies or individual sectors of economic activity;
- checking the performance of individual positions both with the IT procedure and with a systematic monitoring of balances that look anomalous.

With reference to the prudential supervisory regulations, the Bank has adopted the standardised approach; for this purpose there are management tools for estimating and monitoring capital absorption and processes for uploading guarantees to the specific procedures for use in credit risk mitigation techniques.

Furthermore, with reference to relationships with so-called "Large Exposures", we can confirm that the maximum regulatory threshold was not exceeded at 31 December 2022.

2. Credit risk management policies

2.1 Organisational aspects

In carrying on its business, the Bank is exposed to the risk that loans and receivables, of whatever origin, may not be honoured by third-party debtors, with the result that the financial statements will include losses when they are written off, in whole or in part, or provisions to reflect the estimated realisable amount of the loans and when they are likely to be collected.

The potential causes of default lie mainly in the counterparty's lack of financial resources (lack of liquidity, insolvency, etc.) and to a marginal extent in reasons independent of the counterparty's financial condition, such as country risk or operational risk.

2.2 Management, measurement and control systems

The credit disbursement process is structured on various levels of decision-making autonomy, distributed between the Credit Function, the Credit Committee and the Board of Directors on the basis of the amount and risk category of the various types of loan.

The investigation, resolution and revision of credit lines are regulated by a procedure in which various people take part according to their role; these phases are supported and controlled by the procedure that, at all times, makes it possible for all the functions responsible for credit management to verify the positions entrusted to borrowers. During the preliminary investigation, the assessment, both current and prospective, of requests and revisions of credit lines is structured on several levels based on the entity and on technical and objective data, as well as on an in-depth analysis of the specific economic-financial situation of the counterparty and its guarantors.

The definition of methods for monitoring credit risk performance has the objective of activating a systematic control of the positions and is supported by the tools made available by the IT procedures.

As regards line controls (first level), they are carried out by the Credit Function.

Controls over risk management (second level) are carried out with a view to measuring and monitoring the risk associated with credit exposures, both individual and of the group, also by verifying compliance with the limits assigned to the various operational functions, in terms of forbearance, adequacy of classifications and loan loss adjustments. This to ensure that the classification of the exposures is correct and representative of the underlying degree of risk (also by checking the methodologies used to identify any anomalies) and that there is a correct valuation of the inputs to the assessment process.

Furthermore, the use of management tools for estimating and monitoring capital absorption makes it possible to carry out a periodic analysis of it and a control of the level of "eligibility" of the guarantees received.

The analysis of the Bank's credit risk is periodically submitted to the Bank's corporate bodies, based on the results of the management instruments being used.

2.3 Methods of measuring expected losses

Please read the chapter entitled "Part A - Accounting policies", paragraph "A2 - Main items in the financial statements", on the impairment of financial assets.

This section sets out the general criteria of the evaluation and measurement models of financial instruments with particular reference to the aspects relating to the application of IFRS 9. It should be noted that no substantial changes were made to the calculation process in relation to the succession of socio-economic events that took place in 2022.

Assessment of significant increase in credit risk (SICR)

The general criteria adopted to intercept those loans that present a significant increase in credit risk (identified with transfers between stages 1 and 2) are outlined below:

- deterioration of at least two rating classes between the current assessment and the equivalent amount recorded on the date of origination of the financial instrument;
- since December 2022, this rule has been made more stringent. It has the aim of intercepting in stage 2 not only the positions whose rating has deteriorated by at least two notches, but also those positions whose current rating has deteriorated by at least one notch starting from "CCC" or worse; it also applies to those positions which were unrated during the disbursement phase, but which have a current rating of "CC" or worse, or a percentage increase of at least 1% of the current PD "TTC" compared with the equivalent figure at origin, even with the same rating (this assessment is always provided for in the case of a current rating of "CCC" or worse);
- the presence of an amount past due for at least 30 days;
- the presence of forbearance measures. It should be noted that, in relation to the current macroeconomic context, with reference to the COVID emergency, the positions in the portfolio that currently benefit from the following decrees "ABI Imprese in ripresa 2.0" (ABI Moratoriums) or "Decree-Law 18 of 17 March 2020 – article 56. C.2 letter C" (Cura Italia decree), for which the counting of days past due has been frozen, are assessed as positions in "performing" status and allocated to Stage 1[3]. However, at the end of this support measure, the count of the days of any defaults restarts from the number of days existing at the time the measure was granted; the position will then be analysed according to its credit status observed at the time of its evaluation.

Measurement of expected losses

As part of the model for measuring expected losses adopted by the Bank, in line with the provisions of the IFRS 9 framework, note the use of risk parameters, such as PD/LGD[4] including forward-looking information for PD. In particular, we have developed a "PD" curve (12 months and lifetime) corrected according to macroeconomic projections (e.g, GDP, inflation rate, unemployment rate)[5]2022 in relation to the Italian economy in the three-year period 2024-2023 in correspondence with both a "base" and an "adverse" scenario. Some relevant aspects are outlined below:

- The "base" scenario envisages a recovery in Italy's GDP of 2.2 percentage points for 2022, 2.5 percentage points in 2023 and 1.9 in 2024, an increase in the unemployment rate of around 9.9 points and slight increase in the next two-year period 2022-23 (up to 9 percentage points in 2024), a rising increase in consumer prices of 5 percentage points in 2022 to 1.9 points in 2024;

[3] For these cases, it is also reasonable to evaluate the possibility of transferring them prudently to Stage 2 in the event that a non-performing report in the "Central Credit Register" is observed or prejudicial news is received from sources outside the Bank.
[4] For the LGD parameter, a regulatory parameter of 45% is used, possibly mitigated by the presence of state public guarantees.
[5] "Macro-economic" scenarios provided by Prometeia in June 2022.

- The "adverse" scenario, on the other hand, envisages a minor recovery of GDP in Italy equal to 1.5 percentage points for 2022, and of 1.8 and 1.5 points respectively for 2023 and 2024, an increase in the rate of unemployment from 10.10 percentage points for 2022 up to 10.40 for 2024, a slight increase in consumer prices of 5.30 percentage points for 2022 to 1.60 for 2024.

In this regard, in order to ensure more conservative results in terms of expected losses, the said PD curve was prudently weighted, giving more weight to the "adverse" macroeconomic scenario to the detriment of the "base" one (80% vs 20%); moreover, the curve was differentiated and diversified for the main commodity macro-sectors, attributable to 13 sub-sectors into which the composition of the bank portfolio is divided in order to better intercept the average portfolio risk. Furthermore, in relation to the war events that took place starting in March 2022, Prometeia was asked to perform an in-depth study of Banca Progetto's PMI portfolio and an analysis of the potential impact of the Russia-Ukraine conflict on individual sectors (at ATECO level) potentially involved.

As part of this analysis, a "synthetic risk indicator" was developed relating to the impact factors deriving from the conflict, considering both the increase in energy and raw material costs, and the pressure on revenues given the propensity to export and share of exports to Russia, Ukraine and Belarus. By assessing both the synthetic indicator and the economic potential, based on the prospects and riskiness of the product sectors and territories, those sectors were identified which would probably be more sensitive or susceptible to the conflict. In the first instance, following the analysis carried out in June 2022, the sectors identified were the following:

- Energy and chemical products;
- Metal processing;
- Production of textile, leather and footwear products;
- Hotel services;
- Catering.

From a prudential point of view, for the sectors mentioned above, a corrective factor has been added to the PD curve used for provisioning. The multiplication factor used (equal to 9%) reflects the percentage growth of non-performing volumes between 2021 and 2022 according to the forecast estimates of the "Credit Quality 2022-2024" report provided to us by Prometeia.

In addition, in September 2022, following the update of the sector-by-sector economic forecasts provided by Prometeia, two other sectors were identified as being sensitive to the Russian-Ukrainian conflict as substantial deteriorations were noted in their expectations (i) Agri-food chain and (ii) Transport and communications. The correction factor was also applied to these sectors.

As regards the LGD parameter, in relation to the standard approach that was adopted in accordance with the regulatory instructions, the figure was set at 45%, which may then be mitigated if there is a public guarantee (Fondo Centrale di Garanzia, SACE). At 31 December

2022, the stock of the outstanding corporate loan portfolio was around Euro 5.3 billion, with an average coverage of around 83%.

Below is a summary table of the corporate portfolio at 31.12.2022.

	Gross	NPE	Gross NPE Ratio	Net NPE ratio	ECL	ECL%	Coverage by public guarantee (%)
Mortgage loans to SMEs with MCC guarantee	4,205.1	309.8	7.4%	6.7%	43.2	1.0%	81.7%
Mortgage loans to SMEs with SACE guarantee	1,055.4	72.1	6.8%	6.2%	8.8	0.8%	87.2%
Total	5,260.5	381.9	7.3%	6.6%	51.9	1.0%	82.8%

As far as salary-backed loans are concerned, as for the corporate segment, the PD curve has been adjusted in the face of the macroeconomic scenario that emerged for the Italian economy in the three-year period 2022-2024, however the final impact in this case is almost negligible given the predominantly public/quasi-state nature[6] of the product.

In this case, the less severe weighting for the adverse scenario of 60% was chosen to the detriment of the baseline of 40%. The LGD parameter was declined through a grid of percentage values in relation to the credit status by ATC payer/final customer/insurance and the number of past due days observed contract by contract.

At 31.12.2022, the stock of the outstanding portfolio amounted to Euro 630 million, of which Euro 13.8 million non-performing, which is lower than the previous December 2021.

	Gross	NPE	Gross NPE Ratio	Net NPE ratio	ECL	ECL%
Salary-backed loans	629.5	14.3	2.3%	1.9%	2.9	0.5%

2.4 Credit risk mitigation techniques

In accordance with the objectives and credit policies defined by the relevant bodies, the credit risk mitigation technique most used by the Bank is based on the different types of secured and unsecured, financial and non-financial guarantees.

In particular, escalation mechanisms are provided for in terms of decision-making autonomy of the competent bodies for the purpose of granting credit lines based on the level of creditworthiness of the customers and on the type of guarantee received.

Receiving guarantees for the credit lines that are granted is one of the main objectives of the Bank's credit policies.

Most of the Bank's medium and long-term exposures are assisted by a state guarantee (Fondo di Garanzia) or by a mortgage guarantee.

[6] The one-year PD transition matrix used to construct the lifetime PD curve was downloaded from:" Fitch EMEA Corporate Finance One-Year Transition Matrix: 2021, Average Annual: 1990-2021".

3. Impaired credit exposures

3.1 Management strategies and policies

The Bank is organised with regulatory/IT structures and procedures for credit management, classification and control.

In compliance with the IAS/IFRS, the presence of objective elements of impairment is checked at each reporting date on each instrument or group of financial instruments.

The positions that show anomalous trends are classified on the basis of Circular no. 262 of 22 December 2005 and subsequent updates "Bank financial statements: schedules and rules of compilation", in different risk categories:

- bad loans: exposures to subjects in a state of insolvency or in substantially comparable situations;
- unlikely to pay: credit exposures, other than bad loans, for which the Bank considers it unlikely that the debtor will fulfil all of its credit obligations (both principal and interest), unless the Bank has recourse to actions such as the enforcement of guarantees;
- past due exposures: exposures, other than those classified as bad or unlikely to pay, which at the reporting date have been past due and/or overdrawn for more than 90 days and exceed a certain level of materiality;
- forborne exposures: forborne exposures can be divided into:
    - non-performing exposures with forbearance measures. These exposures represent a detail, as appropriate, of bad loans, unlikely to pay or past due exposures; so they do not form a separate category of impaired assets;
    - other exposures subject to forbearance, which are called forborne performing exposures.

In order to handle as quickly as possible any problems resulting from deterioration of the risk on individual positions, monitoring is carried out on the counterparties that present signs of internal and systemic deterioration.

The position evaluation methodology follows an analytical approach, depending on the intensity of the analysis and the results that emerge from the continuous monitoring process.

3.2 Write-off

A write-off is when there is no more hope of recovering the asset, so it is written off, i.e. eliminated from the books of account. It can occur before legal action for recovery of the asset has ended and does not imply that the Bank is waiving its legal right to recover the loan.

3.3 Impaired financial assets, purchased or originated

If a credit exposure is impaired at the time of initial recognition, it is considered a "Purchased Originated Credit Impaired - POCI". POCI are conventionally classified in Stage 3.

4. Financial assets subject to commercial renegotiations and exposures subject to forbearance

Please refer to the previous paragraph "3.1 Management strategies and policies".

4.1 - Facilities granted in response to the Covid-19 pandemic

4.2.1– Banca Progetto Initiatives

The government measures introduced in the "Cura Italia" and "Liquidità" decrees (in the form of loan guarantees of the Temporary Measures of State Aid to support the economy because of the persistence of the pandemic) were extended to the whole of 2021 given the current state of the COVID-19 emergency.

Consequently, for the entire year, the Bank continued to operate towards target customer companies through the disbursement of medium and long-term loans supported by state guarantees issued by the Central Guarantee Fund - MCC and by SACE, in accordance with the provisions of the Liquidità Decree and subsequent amendments.

In terms of the increase in the degree of coverage of public guarantees, also extended under certain conditions to cases of "refinancing", they continued to fully adhere to the business model already adopted in the sector, allowing the continuation of the financing activity to SMEs without any interruption, improving the risk/return ratio and the cost of risk of the portfolio.

The Bank has not had to reorganize its service model to cope with changes in the scenario and regulations, but has instead strengthened its operational and commercial structures, with positive effects of consolidating its presence on the market. On an operational level, the coming into force of certain instruments (so-called measures *ex lege* and as a result of banking industry agreements) has opened up the possibility of exploiting some temporary derogations admitted by the EBA, deemed admissible in light of the extraordinary context.

Debt payment facilities granted to customers under measures *ex lege* and/or industry agreements could be activated more rapidly and not be included in the perimeter of forbearance measures.

The EBA guidelines have extended the aforementioned flexibility regime for the first time until 30 September 2020; on 2 December 2020, the EBA further extended this deadline, bringing it forward to 31 March 2021, and introduced the nine-month limit as the overall maximum period of application for the "general payment moratoriums" referring to all types of concessions, even if *ex* lege or the result of industry agreements. The new EBA indications lay down that an ad hoc assessment has to be carried out to assign the forborne attribute for measures granted after 01/10/2020 with suspensions lasting more than 9 months. This Temporary Framework, which was due to expire by 31 December 2021, was extended until 30 June 2022. The extension aims to encourage a coordinated and phasing-out of crisis measures, allowing member states to extend their support schemes and ensure that companies still affected by the crisis do not suddenly lose the necessary support.

In terms of content, these facilitations involved:

- the suspension of payments due (moratoria);
- the blocking of the revocation of credit lines;
- the availability of extraordinary credit lines.

On a more purely organisational level, since the initial phase of the pandemic, digital methods of interrelation and interchange of documentation with customers have been prepared, so as to contain as much as possible the physical movement of people and the consequent risk of contagion. Simplified procedures for the authorisation of individual files have also been envisaged, so as to respond promptly to requests of an urgent nature.

In addition to what has already been described in the previous paragraph in terms of recourse to moratorium measures, the Bank has also assessed, on an individual basis, single requests for suspension of instalment payments where there are proven effects deriving from the COVID emergency, granting temporary suspensions of the payment plan. These include interventions to support situations of unexpected difficulty, aimed at accommodating the limited cases of requests for a moratorium on mortgage-backed loans, with recourse to the Consap Solidarity Fund (under the "Gasparrini Law").

Lastly, while not forming part of the ordinary business model for companies, the Bank has, in very limited cases, disbursed loans with 100% guarantees up to Euro 25 thousand.

4.2.2 – Initiatives *ex lege* SME Moratorium - “Cura Italia” Decree - “Agosto” Decree - 2021 Budget Law

- Art. 56 of the "Cura Italia" Decree (Law 27 of 24 April 2020) introduced the possibility for SMEs (including micro-enterprises) and self-employed workers with VAT numbers to suspend payment of instalments falling due (the entire instalment or only the principal) until 30/9/2020 by presenting a self-certification of having suffered temporary liquidity shortages as a direct consequence of the COVID-19 epidemic, and provided that, on the date of entry into force of the Decree, the enterprise/self-employed worker held "performing" status (i.e. excluding exposures already considered to be bad debts, unlikely to pay, past due and/or impaired). The interest that accrues during the suspension period is calculated on the residual capital at the interest rate of the original loan agreement. This interest will be divided into instalments over the residual amortisation period, while no commissions are applied for the suspension.

- Legislative Decree no. 104 of 14/08/2020, the "Agosto" Decree: the deadline of this initiative was extended by Decree Law no. 104 of 14/8/2020 (the so-called "Agosto" Decree) from 30/9/2020 to 31/1/2021, automatically for all SMEs that had already requested it on the date of entry into force of the Decree. For companies applying for the first time, the last useful date for submitting the application has been set at 31/12/2020. A more accommodating treatment has been reserved for companies operating in the tourism sector for which the expiry of the moratorium has been set at 31/3/2021.
- 2021 Budget Law: the suspension was subject to a further extension to 30 June 2021 by law no. 178 of 30 December 2020. Counterparties who, as of 30 December 2020, have not yet requested access to the moratorium can do so by 31 January 2021, according to the same conditions and methods set out in article 56 of the "Cura Italia" decree.

Loans of up to Euro 30 thousand guaranteed by the Guarantee Fund for SMEs pursuant to law 662/96

The "Liquidità" Decree (art. 13, paragraph 1, letter m, Decree Law 23/2020), followed by the related Conversion Law 40 of 05/06/2020, among the various measures to support businesses, provided for the possibility of receiving new loans from banks of up to Euro 25 thousand, a ceiling subsequently raised to Euro 30 thousand, backed exclusively by a direct guarantee from the Guarantee Fund for SMEs (Law 662/96). The initiative is aimed at small companies (including micro-enterprises) and medium-sized enterprises and natural persons carrying out business activities, arts or professions, professional associations, as well as operators in the insurance-financial sector, whose business activity has been damaged by the COVID-19 emergency. Also included are non-commercial entities, "third sector" entities (charities) and religious entities recognised under Civil Law. Counterparties classified as non-performing are excluded. The duration of the loans cannot exceed 10 years, with the first 24 months as a compulsory grace period. The 2021 budget law issued at the end of 2020 extended the duration up to 15 years with regard to the operations granted in the first half of 2021. The loan cannot be used to offset any pre-existing loans.

Loans guaranteed by SACE - "Garanzia Italia - SACE"

The "Liquidity" Decree, followed by the related Conversion Law no. 40 of 05/06/2020, provided for an additional tool to support Italian companies that facilitates access to credit by companies: the so-called "Garanzia Italia - SACE". This can be obtained for new loans, if aimed at investments (excluding the acquisition of shareholdings in companies), personnel costs, lease payments or rent for a business unit, or working capital. In order to access the SACE guarantee, the loan must have a duration of between 6 and 72 months, subsequently raised to 96 months, including any grace period. The percentage of loans covered by the SACE guarantee can reach a maximum of 90% and the interest rate applied must be lower than for a similar transaction without any guarantee. The counterparties who can request it are represented by any type of company, regardless of size, sector of activity (credit companies are excluded) and legal form; self-employed workers and freelancers with VAT numbers, professional associations and professional partnerships are also included. The admission requirements include having a registered office in Italy, not controlling companies based in a non-cooperative country for tax purposes, having already used the Central Guarantee Fund up to full capacity in the case of SMEs. Further requisites are not being in an administrative status of "unlikely to pay", "impaired past due or overdrawn" or "bad debts", as well as having recorded at 31/12/2019 a ratio of "total overruns in cash/total granted in cash" of less than 20%. The request for the SACE guarantee and its activation must be made by 31/12/2020. The 2021 Budget Law provides for an extension of the "Garanzia Italia - SACE" to small and medium-sized enterprises that will be able to access it at the same conditions granted up to now by the SME Fund. It also provides for an extension of the Garanzia Italia to 30 June 2021, subsequently to 31 December 2021 as a result of the Sostegni-bis Decree Law.

Suspension of revocation of short-term credit lines - "Cura Italia" Decree - "Agosto" Decree - 2021 Budget Law

In implementation of the legal initiatives envisaged by the "Cura Italia" Decree, subsequently extended by the "Agosto" Decree and by the 2021 Budget Law, revocations, even partial revocations, of short-term, revocable and temporary lines of credit (including credit lines), already granted to SME customers on request, were suspended until 30 June 2021 (formerly 31 January 2021). At the request of the customer and without further formalities, the extension of the expiry of temporary short-term credit lines is also made available, up to the maximum date of 30/06/2021 (ex 31/01/2021). The aforementioned measure also concerns individual presentations in the context of credit lines for advances. Also, for these initiatives, maximum timeliness was guaranteed in the execution of the preliminary investigation and resolution process by adopting simplified procedures.

CONSAP moratoriums for home loans to private individuals

Within the substantial package of facilitation measures prepared in implementation of the law, the first one of note is the moratorium on mortgages granted to private individuals for the purchase of a first home. The CONSAP Fund, set up at the Ministry of Economy and Finance with Law no. 244 of 24/12/2007, supports the suspension of instalment payments (principal and interest) in situations of temporary difficulty likely to affect the household's overall income. For all cases of access to the Fund, against the suspension of loan payments, the reimbursement to the banks by the Fund is 50% of the interest accrued on the residual debt during the moratorium period. To this end, specific requirements must in any case be verified, which essentially means situations of termination of employment and death. Legislative Decree no. 9/2020, containing "Urgent support measures for families, workers and businesses related to the COVID-19 epidemiological emergency", and the so-called "Cura Italia" Decree (DL no. 18/2020) have expanded the cases, also including work interruptions for pre-established durations and raising the upper limit of the original amount of the loan to Euro 400,000 (Law 27 of 24/04/2020). There are no fees for the moratorium. In particular, in June 2020 the State introduced measures aimed at speeding up the procedures for the CONSAP moratoriums: in fact, automatic suspension of the first instalment by the bank was envisaged from the moment the request for suspension of the loan was made, based on a simple check of the completeness and formal regularity of the application. Having ascertained that the application meets the conditions to be valid, CONSAP communicates the outcome of the investigation to the bank within 20 days and, in any case, once this term has elapsed to no avail, the request is deemed to have been accepted.

Moratorium - red zone

The moratorium was ordered by Ordinary Provision no. 642 of the Civil Protection of 29 February 2020 in favour of performing and non-performing companies (excluding bad debts) with mortgages relating to buildings in the municipalities of the so-called "initial red zone" strictly linked to commercial and economic activities, including agriculture. Until the end of the state of emergency, the possibility of suspending the entire instalment or just the principal amount is envisaged. It should be noted that the aforementioned state of emergency ended on 31/07/2020. For private customers, the moratorium had a similar formulation, regarding performing and non-performing counterparties (excluding bad loans) with mortgages relating to buildings in the "initial red zone".

Other loans guaranteed by the Guarantee Fund for SMEs pursuant to law 662/96

The "Liquidità Decree" followed by Conversion Law no. 40 of 05/06/2020, together with point 3.2 of the Temporary Framework, granted the possibility of raising the Medio Credito Centrale guarantee to 90% for SMEs affected by the COVID-19 emergency. The 2021 budget law extended its application to the first six months of the current year and with the Sostegni-bis Decree the extension was extended to 31/12/2021 with 80% coverage of the guarantee. The main objective requirements concern the destination of the loan, which has to be for productive investments or to bolster liquidity, while the maximum guaranteed amount is equal to Euro 5 million. Further requisites for accessing the guarantee of 80% of the loan concern the relationship between the amount financed and specific parameters regarding the size of the company (annual salary bills, 2019 turnover). Access to the guarantee is also possible for loans intended for the consolidation of short-term liabilities and/or medium/long-term debt renegotiation, even in the absence of a previous guarantee issued by the Fund, providing that the new loan envisages the disbursement to the same beneficiary of additional credit for an amount equal to at least 25% of the outstanding debt agreed on the loan subject to renegotiation. Furthermore, the Bank is required to apply a lower interest rate to new loans guaranteed by the Fund, so as to take into account the reduction in risk thanks to the new guarantee.

4.2.3 – Initiatives resulting from category agreements

ABI has stipulated various agreements with consumer and business associations. The Bank has adhered to the ABI Agreement "Imprese in ripresa 2.0" - Addendum of 6 March 2020 and Addendum of 22 May 2020. On the other hand, it decided not sign up for the Assofin protocol or other moratoriums that satisfy the definition of "general payment moratoriums" provided under the EBA Guidelines.

4.3 - Impact of the various initiatives carried out on credit disbursement and monitoring processes

The Bank has strengthened the organisational structures, processes and systems supporting the preliminary investigation and credit disbursement phase, also modulating credit policies in relation to the economic situation. The use of the guarantee instruments introduced by the emergency legislation has allowed the Bank to enhance the business model, increasing the ability to support the SME segment, in conditions of strong control of the risk profile.

From an operating point of view, in order to detect signs of deterioration and take appropriate measures promptly, also in terms of classification and related provisions, the Bank has strengthened the internal structures dedicated to portfolio management, credit monitoring and recovery. This includes activating specialised external partners, in order to have an element of external support to ensure operational efficiency, speed of recovery and variability of certain elements of cost and scalability. The Bank maintains control of the process with a central governance and operational guidance unit.

The overall activation of these actions allows the Bank to act promptly in terms of classification of positions and provisioning, as well as to provide updated and timely information to the Competent Bodies on emerging risk profiles.

SECTION 1– CONSOLIDATED ACCOUNTING RISK

QUANTITATIVE INFORMATION

1. CREDIT QUALITY

A.1 IMPAIRED AND UNIMPAIRED CREDIT EXPOSURES: BALANCE, ADJUSTMENTS, CHANGES, ECONOMIC AND GEOGRAPHICAL BREAKDOWN

A.1.1 Breakdown of credit exposures *by portfolio and credit quality (balance sheet figures)*

Portfolio/Quality	Bad loans	Unlikely to pay exposures	Impaired past due exposures	Other impaired exposure	Unimpaired exposures	Total
1. Financial assets at amortised cost	59,300	141,868	153,697	205,989	5,917,583	6,478,437
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-
3. Financial assets at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily at fair value	-	-	-	-	-	-
5. Financial assets being sold	-	-	-	-	-	-
31/12/2022	**59,300**	**141,868**	**153,697**	**205,989**	**5,917,583**	**6,478,437**
31/12/2021	**9,202**	**28,709**	**45,649**	**145,986**	**4,166,715**	**4,396,261**

A.1.2 Breakdown of financial assets by portfolio and credit quality (gross and net figures)

Portfolio/Quality	Impaired assets				Unimpaired assets			Total (Net exposure)
	Gross exposure	Overall impairment adjustments	Net exposure	overall partial write-offs (*)	Gross exposure	Overall impairment adjustments	Net exposure	
1. Financial assets at amortised cost	396,427	(41,562)	354,865	-	6,137,349	(13,777)	6,123,572	6,478,437
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-
3. Financial assets at fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily at fair value	-	-	-	-	X	X	-	-
5. Financial assets being sold	-	-	-	-	-	-	-	-
31/12/2022	**396,427**	**(41,562)**	**354,865**	**-**	**6,137,349**	**(13,777)**	**6,123,572**	**6,478,437**
31/12/2021	**102,690**	**(19,130)**	**83,560**	**420**	**4,321,826**	**(9,125)**	**4,312,701**	**4,396,261**

** Amount to be shown for disclosure purposes*

Portfolio/Quality	Assets with evidently poor credit quality		Other assets
	Capital losses	Net exposure	Net exposure
1 Financial assets held for trading	-	-	-
2. Hedging derivatives	-	-	16,259
31/12/2022	**-**	**-**	**16,259**
31/12/2021	**-**	**-**	**1,098**

SECTION 2 - RISKS OF THE PRUDENTIAL CONSOLIDATION

1. Credit Risk

INFORMATION OF A QUALITATIVE NATURE

The qualitative information is to be considered identical to that relating to Section 1 - Risks of the Accounting Consolidation, as the companies included in the scope of consolidation are the same.

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

A.1 IMPAIRED AND UNIMPAIRED CREDIT EXPOSURES: BALANCE, ADJUSTMENTS, CHANGES, ECONOMIC AND GEOGRAPHICAL BREAKDOWN

A.1.1 Prudential consolidation - Breakdown of financial assets by number of days past due (carrying amounts)

Portfolios/stages of risk	Stage 1			Stage 2			Stage 3			Impaired (acquired or originated)		
	From 1 day to 30 days	From 30 to 90 days	Over 90 days	From 1 day to 30 days	From 30 to 90 days	Over 90 days	From 1 day to 30 days	From 30 to 90 days	Over 90 days	From 1 day to 30 days	From 30 to 90 days	Over 90 days
1. Financial assets at amortised cost	57,041	-	-	1,863	162,253	19,035	1,858	23,573	293,339	-	61	-
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
3. Financial assets being sold	-	-	-	-	-	-	-	-	-	-	-	-
31/12/2022	**57,041**	**-**	**-**	**1,863**	**162,253**	**19,035**	**1,858**	**23,573**	**293,339**	**-**	**61**	**-**
31/12/2021	**62,611**	**-**	**1**	**13,437**	**62,295**	**14,318**	**2,432**	**10,675**	**40,215**	**-**	**-**	**-**

A.1.2 Prudential consolidation - Financial assets, commitments to disburse funds and financial guarantees given: changes in total impairment adjustments and total provisions

Causes/stages of risk	Overall impairment adjustments																							Total provisions for commitments to disburse funds and financial guarantees given			Total
	Assets falling within stage 1						Assets falling within stage 2						Assets falling within stage 3						impaired financial assets, purchased or originated								
	Sight deposits with banks and Central Banks - Financial assets at amortised cost	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets being sold	of which: individual adjustments	of which: collective adjustments	Sight deposits with banks and Central Banks - Financial assets at amortised cost	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets being sold	of which: individual adjustments	of which: collective adjustments	Sight deposits with banks and Central Banks - Financial assets at amortised cost	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets being sold	of which: individual adjustments	of which: collective adjustments	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets being sold	of which: individual adjustments	of which: collective adjustments	Stage 1	Stage 2	Stage 3	
Opening overall adjustments	38	4,900	-	-	-	4,900	-	4,222	-	-	-	4,222	-	19,123	-	-	19,123	-	10	-	-	7	3	24	-	-	28,317
Increases in financial assets purchased or originated	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	X	X	X	X	X		-	-	-
Eliminations other than write-offs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net adjustments for credit risk (+/-)	47	1,111	-	-	-	1,111	-	3,542	-	-	-	3,542	-	28,967	-	-	28,967	-	6	-	-	8	(2)	(13)	-	-	33,660
Contract changes without eliminations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in estimates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly in profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,542)	-	-	(6,542)	-	-	-	-	-	-	-	-	-	(6,542)
Other changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing overall adjustments	85	6,011	-	-	-	6,011	-	7,764	-	-	-	7,764	-	41,548	-	-	41,548	-	16	-	-	15	1	11	-	-	55,435
Recoveries on financial assets subject to write-offs	-	-	-	-	-	-	-	-	-	-	-	-	-	246	-	-	246	-	-	-	-	-	-	-	-	-	246
Write-offs recognised directly in profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-	(344)	-	-	(344)	-	-	-	-	-	-	-	-	-	(344)

A.1.3 Prudential consolidation - Financial assets, commitments to disburse funds and financial guarantees given: transfers between various stages of credit risk (gross and nominal amounts)

Portfolios/stages of risk	Gross/nominal amount					
	Transfer between stage 1 and stage 2		Transfer between stage 2 and stage 3		Transfer between stage 1 and stage 3	
	From stage 1 to stage 2	From stage 2 to stage 1	From stage 2 to stage 3	From stage 3 to stage 2	From stage 1 to stage 3	From stage 3 to stage 1
1. Financial assets at amortised cost	630,988	96,395	47,751	1,077	279,053	6,932
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-
3. Financial assets being sold	-	-	-	-	-	-
4. Commitments to disburse funds and financial guarantees given	63	-	-	-	-	-
31/12/2022	**631,051**	**96,395**	**47,751**	**1,077**	**279,053**	**6,932**
31/12/2021	**323,288**	**21,927**	**11,538**	**1,497**	**79,077**	**2,594**

A.1.3a Loans subject to Covid-19 support measures: transfers between the various stages of credit risk (gross values)

Portfolios/stages of risk	Gross/nominal amount					
	Transfer between stage 1 and stage 2		Transfer between stage 2 and stage 3		Transfer 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 amortised cost	**519,070**	**41,095**	**24,840**	**135**	**207,251**	**1,518**
A.1 subject to forbearance measures compliant with the Guidelines	-	-	-	-	-	-
A.2 subject to moratorium measures in place no longer compliant with the Guidelines and not considered subject to forbearance	-	-	-	-	-	-
A.3 subject to other forbearance measures	-	-	-	-	-	-
A.4 new loans	519,070	41,095	24,840	135	207,251	1,518
B. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-
B.1 subject to forbearance measures compliant with the Guidelines	-	-	-	-	-	-
B.2 subject to existing moratorium measures no longer compliant with the Guidelines and not considered subject to forbearance	-	-	-	-	-	-
B.3 subject to other forbearance measures	-	-	-	-	-	-
B.4 new loans	-	-	-	-	-	-
31/12/2022	**519,070**	**41,095**	**24,840**	**135**	**207,251**	**1,518**
31/12/2021	**223,205**	**7,746**	**2,885**	**-**	**48,411**	**1,040**

A.1.4 Prudential consolidation - Cash and off-balance sheet exposures to banks: gross and net amounts

TYPE OF EXPOSURE/AMOUNTS	Gross exposure					Total impairment adjustments and total provisions					Net exposure	Overall partial write-offs (*)
		Stage 1	Stage 2	Stage 3	Impaired (acquired or originated)		Stage 1	Stage 2	Stage 3	Impaired (acquired or originated)		
A. CASH EXPOSURES												
A.1 SIGHT	**48,342**	**48,342**	**-**	**-**	**-**	**(85)**	**(85)**	**-**	**-**	**-**	**48,257**	**-**
a) Impaired	-	X	-	-	-	-	X	-	-	-	-	-
b) Unimpaired	48,342	48,342	-	X	-	(85)	(85)	-	X	-	48,257	-
A.2 OTHER	**67,486**	**67,486**	**-**	**-**	**-**	**(12)**	**(12)**	**-**	**-**	**-**	**67,474**	**-**
a) Bad loans	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
b) Unlikely to pay	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
c) Impaired past due exposures	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
d) Unimpaired past due exposures	-	-	-	X	-	-	-	-	X	-	-	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
e) Other unimpaired exposures	67,486	67,486	-	X	-	(12)	(12)	-	X	-	67,474	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
Total A	**115,828**	**115,828**				**(97)**	**(97)**				**115,731**	
B. OFF-BALANCE SHEET EXPOSURES												
a) Impaired	-	X	-	-	-	-	X	-	-	-	-	-
b) Unimpaired	-	-		X	-	-	-	-	X	-	-	-
TOTAL B	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL A+B	**115,828**	**115,828**	**-**	**-**	**-**	**(97)**	**(97)**	**-**	**-**	**-**	**115,731**	**-**

A.1.5 Prudential consolidation - Cash and off-balance sheet credit exposures to customers: gross and net amounts

TYPE OF EXPOSURE/AMOUNTS	Gross exposure					Total impairment adjustments and total provisions					Net exposure	Overall partial write-offs (*)
		Stage 1	Stage 2	Stage 3	Impaired (acquired or originated)		Stage 1	Stage 2	Stage 3	Impaired (acquired or originated)		
A. On-balance sheet credit exposures												
a) Bad loans	72,146	X	-	72,137	9	12,846	X	-	12,836	10	59,300	-
- of which: forborne exposures	2,056	X	-	2,056	-	695	X	-	695	-	1,361	-
b) Unlikely to pay	161,495	X	-	161,495	-	19,627	X	-	19,627	-	141,868	-
- of which: forborne exposures	9,857	X	-	9,857	-	822	X	-	822	-	9,035	-
c) Impaired past due exposures	162,786	X	-	162,712	74	9,089	X	-	9,084	5	153,697	-
- of which: forborne exposures	20,719	X	-	20,659	60	507	X	-	504	3	20,212	-
d) Unimpaired past due exposures	207,124	9,979	197,145	X	-	1,136	36	1,100	X	-	205,988	-
- of which: forborne exposures	10,251	-	10,251	X	-	262	-	262	X	-	9,989	-
e) Other unimpaired exposures	5,862,739	5,241,635	621,007	X	97	12,629	5,964	6,664	X	1	5,850,110	-
- of which: forborne exposures	72,305	-	72,305	X	-	591	-	591	X	-	71,714	-
Total A	**6,466,290**	**5,251,614**	**818,152**	**396,344**	**180**	**55,327**	**6,000**	**7,764**	**41,547**	**16**	**6,410,963**	**-**
B. OFF-BALANCE SHEET EXPOSURES												
a) Impaired	-	X	-	-	-	-	X	-	-	-	-	-
b) Unimpaired	2,399	2,323	76	X		11	8	3	X	-	2,388	-
TOTAL B	**2,399**	**2,323**	**76**	**-**	**-**	**11**	**8**	**3**	**-**	**-**	**2,388**	**-**
TOTAL A+B	**6,468,689**	**5,253,937**	**818,228**	**396,344**	**180**	**55,338**	**6,008**	**7,767**	**41,547**	**16**	**6,413,351**	**-**

(*) Amount to be shown for disclosure purposes

A.1.5a Prudential consolidation - Loans subject to Covid-19 support measures: gross and net amounts

TYPE OF EXPOSURE/AMOUNTS	Gross exposure					Total impairment adjustments and total provisions					Net exposure	Overall partial write-offs (*)
		Stage 1	Stage 2	Stage 3	Impaired (acquired or originated)		Stage 1	Stage 2	Stage 3	Impaired (acquired or originated)		
A. IMPAIRED LOANS:	**37,170**	**-**	**-**	**37,170**	**-**	**4,280**	**-**	**-**	**4,280**	**-**	**32,890**	**-**
a) Subject to forbearance measures compliant with the Guidelines	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to existing moratorium measures no longer compliant with the Guidelines and not considered subject to forbearance	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New loans	37,170	-	-	37,170	-	4,280	-	-	4,280	-	32,890	-
B. UNLIKELY-TO-PAY LOANS	**128,201**	**-**	**-**	**128,201**	**-**	**13,823**	**-**	**-**	**13,823**	**-**	**114,378**	**-**
a) Subject to forbearance measures compliant with the Guidelines	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to existing moratorium measures no longer compliant with the Guidelines and not considered subject to forbearance	105	-	-	105	-	21	-	-	21	-	84	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New loans	128,096	-	-	128,096	-	13,802	-	-	13,802	-	114,294	-
C. PAST DUE LOANS:	**102,314**	**-**	**-**	**102,314**	**-**	**3,797**	**-**	**-**	**3,797**	**-**	**98,517**	**-**
a) Subject to forbearance measures compliant with the Guidelines	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to existing moratorium measures no longer compliant with the Guidelines and not considered subject to forbearance	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New loans	102,314	-	-	102,314	-	3,797	-	-	3,797	-	98,517	-
D. PAST DUE UNIMPAIRED LOANS:	**79,559**	**-**	**79,559**	**-**	**-**	**468**	**-**	**468**	**-**	**-**	**79,091**	**-**
a) Subject to forbearance measures compliant with the Guidelines	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to existing moratorium measures no longer compliant with the Guidelines and not considered subject to forbearance	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New loans	79,559	-	79,559	-	-	468	-	468	-	-	79,091	-
E. OTHER UNIMPAIRED LOANS:	**3,125,142**	**2,595,026**	**530,116**	**-**	**-**	**8,331**	**3,164**	**5,167**	**-**	**-**	**3,116,811**	**-**
a) Subject to forbearance measures compliant with the Guidelines	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to existing moratorium measures no longer compliant with the Guidelines and not considered subject to forbearance	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New loans	3,125,142	2,595,026	530,116	-	-	8,331	3,164	5,167	-	-	3,116,811	-
TOTAL A+B+C+D+E	**3,472,386**	**2,595,026**	**609,675**	**267,685**	**-**	**30,699**	**3,164**	**5,635**	**21,900**	**-**	**3,441,687**	**-**

(*) Amount to be shown for disclosure purposes

A.1.7 Prudential consolidation - Cash exposures to customers: trend in gross impaired exposures

Description/Category	Bad loans	Unlikely to pay exposure	Impaired past due exposures
A. Opening gross exposure	**18,216**	**34,904**	**49,570**
- of which: exposures sold but not eliminated	-	1,066	5,518
B. Increases	**75,975**	**145,189**	**288,008**
B.1 transfer from unimpaired exposures	4,331	45,159	282,331
B.2 transfer from impaired financial assets, purchased or originated	-	-	16
B.3 transfers from other categories of impaired exposures	71,002	96,607	27
B.4 contractual changes without eliminations	-	-	-
B.5 other increases	642	3,423	5,634
C. Decreases	**(22,045)**	**(18,598)**	**(174,792)**
C.1 transfer to unimpaired exposures	-	(92)	(10,901)
C.2 write-off	(6,514)	-	-
C.3 collections	(6,056)	(2,825)	(10,175)
C.4 realised on sales	-	-	-
C.5 losses on sales	-	-	-
C.6 transfers to other categories of impaired exposures	-	(15,465)	(152,171)
C.7 contractual changes without eliminations	-	-	-
C.8 other decreases	(9,475)	(216)	(1,545)
D. Closing gross exposure	**72,146**	**161,495**	**162,786**
- of which: exposures sold but not eliminated	-	1,524	15,432

A.1.7 bis Prudential consolidation - On-balance sheet exposures to customers: trend in gross impaired exposures subject to forbearance, broken down by credit quality

Description/Category	Impaired forborne exposures	Forborne exposures: unimpaired
A. Opening gross exposure	**746**	**15,123**
- of which: exposures sold but not eliminated	-	-
B. Increases	**32,887**	**78,040**
B.1 transfers from unimpaired exposures not subject to forbearance	18,708	75,848
B.2 transfer from unimpaired forborne exposures	2,799	
B.3 transfer from impaired forborne exposures		-
B.4 transfers from impaired exposures not subject to forbearance	10,880	-
B.5 other increases	500	2,192
C. Decreases	**(1,001)**	**(10,608)**
C.1 transfers to unimpaired exposures not subject to forbearance	-	-
C.2 transfer to unimpaired forborne exposures		-
C.3 transfer to impaired forborne exposures	-	(2,799)
C.4 write-offs	-	-
C.5 collections	(692)	(7,315)
C.6 realised on sale	-	-
C.7 losses on sale	-	-
C.8 other decreases	(309)	(494)
D. Closing gross exposure	**32,632**	**82,555**
- of which: exposures sold but not eliminated	1,433	1,853

A.1.9 Prudential consolidation - Impaired on-balance sheet exposures to customers: trend in overall impairment adjustments

Description/Category	Bad loans		Unlikely to pay exposure		Impaired past due exposures	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. Opening total impairment adjustments	**9,014**	**548**	**6,195**	**10**	**3,921**	**-**
- of which: exposures sold but not eliminated	-	-	180	-	715	-
B. Increases	**11,704**	**286**	**15,545**	**822**	**7,241**	**701**
B.1 adjustments to impaired assets, purchased or originated	-	-	-	-	2	-
B.2 other impairment adjustments	8,793	286	15,018	638	7,239	472
B.3 losses on sale	-	-	-	-	-	-
B.4 transfers from other categories of impaired exposures	2,911	-	527	184	-	-
B.5 contractual changes without eliminations	-	-	-	-	-	-
B.6 other increases	-	-	-	-	-	229
C. Decreases	**(7,872)**	**(139)**	**(2,113)**	**(10)**	**(2,073)**	**(194)**
C.1 recoveries on valuation	(761)	(123)	(85)	-	(187)	(10)
C.2 recoveries on collection	(569)	(16)	(10)	(10)	(466)	-
C.3 gains on sale	-	-	-	-	-	-
C.4 write-offs	(6,542)	-	-	-	-	-
C.5 transfers to other categories of impaired exposures	-	-	(2,018)	-	(1,420)	(184)
C.6 contractual changes without eliminations	-	-	-	-	-	-
C.7 other decreases	-	-	-	-	-	-
D. Closing total impairment adjustments	**12,846**	**695**	**19,627**	**822**	**9,089**	**507**
- of which: exposures sold but not eliminated	-	-	220	-	1,002	43

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 class (gross figures)

EXPOSURES	EXTERNAL RATING CLASSES						UNRATED	TOTAL
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Financial assets at amortised cost	-	-	**499,673**	**1,735**	-	-	**6,032,368**	**6,533,776**
- Stage 1	-	-	499,527	1,693	-	-	4,817,878	5,319,098
- Stage 2	-	-	-	-	-	-	818,154	818,154
- Stage 3	-	-	146	42	-	-	396,156	396,344
- Impaired (acquired or originated)	-	-	-	-	-	-	180	180
B. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- Impaired (acquired or originated)	-	-	-	-	-	-	-	-
C. Financial assets being sold	-	-	-	-	-	-	-	-
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- Impaired (acquired or originated)	-	-	-	-	-	-	-	-
Total (A + B + C)	-	-	**499,673**	**1,735**	-	-	**6,032,368**	**6,533,776**
D. Commitments to disburse funds and financial guarantees given	-	-	-	-	-	-	**2,399**	**2,399**
- Stage 1	-	-	-	-	-	-	2,323	2,323
- Stage 2	-	-	-	-	-	-	76	76
- Stage 3	-	-	-	-	-	-	-	-
- Impaired (acquired or originated)	-	-	-	-	-	-	-	-
Total D	-	-	-	-	-	-	**2,399**	**2,399**
Total (A + B + C + D)	-	-	**499,673**	**1,735**	-	-	**6,034,767**	**6,536,175**

A.3 BREAKDOWN OF GUARANTEED CREDIT EXPOSURES BY TYPE OF GUARANTEE

A.3.2 Prudential consolidation - Guaranteed on- and off-balance sheet exposures to customers

	Gross exposure	Net exposure	Secured guarantees (1)				Unsecured guarantees (2)									TOTAL (1) + (2)
							Credit derivatives					Endorsement credits				
							Credit-linked notes (CLN)	Other derivatives								
			Mortgages on buildings	Loans on lease of buildings	Securities	Other secured guarantees		Central counterparties	Banks	Other finance companies	Others	Public administration agencies	Banks	Other finance companies	Others	
1. Guaranteed cash credit exposures:	5,884,327	5,830,323	55,168	-	-	642,592	-	-	-	-	-	4,282,918	-	129,348	306,424	**5,416,450**
1.1 totally guaranteed	3,484,315	3,453,319	55,168	-	-	642,592	-	-	-	-	-	2,325,659	-	123,476	306,424	**3,453,319**
- of which: impaired	234,683	210,584	882	-	-	11,301	-	-	-	-	-	169,995	-	9,200	19.206	**210,584**
1.2 partially guaranteed	2,400,012	2,377,004	-	-	-	-	-	-	-	-	-	1,957,259	-	5,872	-	**1,963,131**
- of which: impaired	160,275	143,545	-	-	-	-	-	-	-	-	-	118,843	-	4,144	-	**122,987**
2. Guaranteed off-balance sheet credit exposures:	2,377	2,366	-	-	-	-	-	-	-	-	-	1,895	-	60	339	**2,294**
1.1 totally guaranteed	1,618	1,612	-	-	-	-	-	-	-	-	-	1,213	-	60	339	**1,612**
- of which: impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
1.2 partially guaranteed	759	754	-	-	-	-	-	-	-	-	-	682	-	-	-	**682**
- of which: impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

B. DISTRIBUTION AND CONCENTRATION OF EXPOSURES

B.1 Prudential consolidation - Breakdown by sector of on- and off-balance sheet credit exposures to customers

Exposures/counterparties	Public administration agencies		Finance companies		Finance companies (of which: insurance companies)		Non-financial companies		Households	
	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. Cash exposures										
A.1 Bad loans	-	-	290	(32)	-	-	57,100	(11,544)	1,910	(1,270)
- of which: forborne exposures	-	-	-	-	-	-	1,360	(672)	-	-
A.2 Unlikely to pay	464	(25)	1,614	(121)	1,529	(93)	137,751	(18,998)	2,039	(483)
- of which: forborne exposures	-	-	-	-	-	-	9,035	(822)	-	-
A.3 Impaired past due exposures	141	(117)	1,099	(124)	1,087	(117)	142,512	(7,198)	9,945	(1,650)
- of which: forborne exposures	-	-	-	-	-	-	20,123	(503)	89	(5)
A.4 Unimpaired exposures	571,389	(241)	9,953	(65)	1	-	4,826,487	(12,834)	648,269	(625)
- of which: forborne exposures	-	-	-	-	-	-	80,928	(809)	774	(44)
Total (A)	**571,994**	**(383)**	**12,956**	**(342)**	**2,617**	**(210)**	**5,163,850**	**(50,574)**	**662,163**	**(4,028)**
B. "Off-balance sheet" exposures										
B.1 Impaired exposures	-	-	-	-	-	-	-	-	-	-
B.2 Unimpaired exposures	-	-	-	-	-	-	2,371	(11)	17	-
Total (B)	**-**	**-**	**-**	**-**	**-**	**-**	**2,371**	**(11)**	**17**	**-**
31/12/2022	**571,994**	**(383)**	**12,956**	**(342)**	**2,617**	**(210)**	**5,166,221**	**(50,585)**	**662,180**	**4,028**
31/12/2021	**501,535**	**(455)**	**53,254**	**(272)**	**-**	**-**	**3,218,458**	**(22,897)**	**591,516**	**(4,655)**

B.2 Prudential consolidation - Geographical distribution of on- and off-balance sheet credit exposures to customers

Exposures/Geographical areas	Italy		Other European countries		America		Asia		Rest of the world	
	Net exposure	Overall impairment adjustments	Net exposure	Overall impairment adjustments	Net exposure	Overall impairment adjustments	Net exposure	Overall impairment adjustments	Net exposure	Overall impairment adjustments
A. Cash credit exposures										
A.1 Bad loans	59,300	(12,846)	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	141,868	(19,627)	-	-	-	-	-	-	-	-
A.3 Impaired past due exposures	153,676	(9,086)	-	-	-	-	-	-	18	(3)
A.4 Unimpaired exposures	6,054,813	(13,763)	700	-	127	-	191	(2)	268	-
TOTAL	**6,409,659**	**(55,322)**	**700**	**-**	**127**	**-**	**191**	**(2)**	**286**	**(3)**
B. Off-balance sheet exposures										
B.1 Impaired exposures	-	-	-	-	-	-	-	-	-	-
B.2 Unimpaired exposures	2,388	(11)	-	-	-	-	-	-	-	-
TOTAL	**2,388**	**(11)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
31/12/2022	**6,412,047**	**(55,333)**	**700**	**-**	**127**	**-**	**191**	**(2)**	**286**	**(3)**
31/12/2021	**4,364,382**	**(28,276)**	**220**	**(2)**	**-**	**-**	**32**	**-**	**129**	**(1)**

B.3 Prudential consolidation - Geographical distribution of on- and off-balance sheet credit exposures to banks (carrying amount)

Exposures/Geographical areas	Italy		Other European countries		America		Asia		Rest of the world	
	Net exposure	Overall impairment adjustments	Net exposure	Overall impairment adjustments	Net exposure	Overall impairment adjustments	Net exposure	Overall impairment adjustments	Net exposure	Overall impairment adjustments
A. Cash exposures										
A.1 Bad loans	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
A.4 Impaired past due exposures	-	-	-	-	-	-	-	-	-	-
A.5 Unimpaired exposures	115,731	(97)	-	-	-	-	-	-	-	-
Total A	**115,731**	**(97)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Off-balance sheet exposures										
B.1 Bad loans	-	-	-	-	-	-	-	-	-	-
B.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Other exposure	-	-	-	-	-	-	-	-	-	-
Total B	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
31/12/2022	**115,731**	**(97)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
31/12/2021	**251,090**	**(38)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

B.4 Large exposures

Items/Amounts	31/12/2022	31/12/2021
Number of positions	8	7
Exposure	4,058,087	3,649,547
Weighted value	15,817	44,791

Compared with 2021, the number of positions classified as "large exposures" has increased by three positions and the nominal and weighted amount continues to reflect the lending policy followed by the Bank focused on SME loans with a State guarantee (MCC and SACE). In no case has the maximum regulatory threshold been exceeded.

The counterparties of these exposures are mainly the State guarantee funds, the State Treasury and some banking counterparties. For more information on Own Funds and Capital Ratios, see section F.

C. SECURITISATIONS

INFORMATION OF A QUALITATIVE NATURE

Operation Progetto Quinto

The structure of the transaction involves the purchase of loan portfolios deriving from salary-backed loans, originating directly from the Bank.

The operation, structured in co-arrangement between the Bank and BNP Paribas, envisaged two distinct phases in the contractual documentation:

- **the "Warehousing" phase**, a period of accumulation of the portfolio. The transaction was completed in August 2019 with the issue by Progetto Quinto S.r.l., formerly Vidal S.r.l. of two classes of "Variable Funding Notes" securities: senior securities for a nominal amount of Euro 500 million and junior notes for a nominal amount of Euro 120 million. On the issue date, the Bank fully subscribed the issued junior securities for Euro 25.2 million. The structure of the transaction envisaged an initial assignment of receivables for Euro 154.4 million and an accumulation period (the so-called "Ramp-up"), which ends with the "Take-out" (as defined below), during which the Bank has the right to assign further receivables up to a ceiling of Euro 500 million). During the Ramp-up Period, the Bank completed the subscription of the junior notes for Euro 60 million while a conduit financed by BNP Paribas subscribed the senior notes for Euro 314.99 million.
- **The Take-out phase**: on 6 May 2021 (the "Take-out" date) the SPV issued the new "definitive" asset-backed securities (the "Definitive Notes" or, separately, the "Senior Definitive Notes" and the "Junior Definitive Notes") with the following characteristics:

Series	ISIN	Common Code	Issued Amount
Class A	IT0005442006	233605352	316,500,000
Class J	IT0005442014	n/a	53,071,000

The Senior tranche was rated Aa3 (sf) / AA (low) (sf) respectively by Moody's Investor Service and DBRS and was admitted to trading on the professional segment (ExtaMOT PRO) of the multilateral trading facility "ExtraMOT" managed by Borsa Italiana S.p.A. The repayment structure of the Senior Definitive Notes is of the amortising type starting from the first payment date.

The transaction obtained the "STS" status, an acronym used, in the context of the European regulation on securitisations, for "Simple, Transparent and Standardized" transactions. These quality criteria have also been analysed by Prime Collateralised Securities (PCS) as a third-party verifier.

The transaction, structured in co-arrangement by Banca Progetto and by BNP Paribas, which also acted as Lead Manager and swap counterparty, was placed at par on the institutional investor market and remunerates at a rate equal to the 1-month Euribor + 60 bps.

The value of the underlying loan portfolio as at 31 December 2022 is approximately Euro 247.5 million, while the nominal value of the senior and junior securities amounts to Euro 204.2 and Euro 53.1 million respectively.

The Bank was commissioned by Progetto Quinto to play the role of servicer as part of the securitisation.

The vehicle Progetto Quinto S.r.l. took out an interest rate swap (IRS) contract to exchange the variable cash flows of the senior note into fixed cash flows in order to hedge against the interest rate risk on the transaction.

In 2022, Banca Progetto completed two securitisations with underlying portfolios of loans granted by the Bank to small and medium-sized Italian enterprises guaranteed by the Guarantee Fund.

Operation Progetto PMI

The first transaction, structured in co-arrangement by Banca Progetto and BNP Paribas, was finalised in June 2022 through the vehicle company Progetto PMI S.r.l.

The securities were issued in the "variable funding notes" type in two classes: a senior one for Euro 500 million, subscribed by a conduit emanating from BNP Paribas, and a junior one, fully subscribed by the Bank, for Euro 131 million.

On 8 June 2022, the SPV issued the ABS securities with the following characteristics:

Series	ISIN	Common Code	Issued Amount	Drawn Amount
Class A	IT0005497026	n/a	750,000,000	500,000,000
Class J	IT0005497034	n/a	250,000,000	131,270,123

As part of the overall structure of the operation, the Bank also has the right to assign further loans to the vehicle company within a revolving period, which will end in December 2023.

The portfolio involved in the operation, equal to Euro 625 million at the time of issue, was representative of the Bank's production mix at that time and of the guarantee provided by the Guarantee Fund of 87%.

The senior tranche is unrated and is not listed on any regulated market.

The structure of the operation provides for a revolving period until the end of 2023; subsequently the repayment structure of the senior notes is of the amortising type.

The value of the loan portfolio underlying the operation at 31 December 2022 is approximately Euro 617 million, while the nominal value of the senior and junior notes amounts to Euro 500 million and Euro 131.3 million respectively.

The Bank was appointed by Progetto PMI S.r.l. to act as servicer for the securitisation.

Operation Progetto PMI 2

The second operation, with Intesa Sanpaolo as the arranger, was finalised at the beginning of December 2022 through the vehicle company Progetto PMI 2 S.r.l.

The securities were issued in two classes: a senior one for Euro 500 million subscribed by a conduit emanating from the arranger Intesa Sanpaolo (IMI Corporate & Investment Banking Division), and a junior one, fully subscribed by the Bank, for Euro 170 million.

The portfolio involved in the operation, equal to Euro 666.7 million at the time of issue, was representative of the Bank's production mix at that time and of the guarantee provided by the Guarantee Fund of 83.5%.

The senior tranche is unrated and is not listed on any regulated market.

The repayment structure of the senior notes is of the amortising type, starting from the first payment date.

The value of the loan portfolio underlying the operation at 31 December 2022 is approximately Euro 639.7 million, while the nominal value of the senior and junior notes amounts to Euro 477.1 million and Euro 170 million respectively.

On 2 December 2022, the SPV issued the ABS securities with the following characteristics:

Series	ISIN	Common Code	Issued Amount
Class A	IT0005522203	256438909	500,000,000
Class J	IT0005522211	256438950	170,033,000

The Bank was appointed by Progetto PMI 2 S.r.l. to act as servicer for the securitisation.

QUANTITATIVE INFORMATION

C.1 Exposures deriving from the main "own" securitisations broken down by type of securitised asset and types of exposure

TYPE OF SECURITISED ASSETS/EXPOSURES	On-balance sheet exposures						Guarantees given						Lines of credit					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Carrying amount	Net adjustments for impairment	Carrying amount	Net adjustments for impairment	Carrying amount	Net adjustments for impairment	Net exposure	Net adjustments for impairment	Net exposure	Net adjustments for impairment	Net exposure	Net adjustments for impairment	Net exposure	Net adjustments for impairment	Net exposure	Net adjustments for impairment	Net exposure	Net adjustments for impairment
C. Not eliminated from the financial statements	-	-	-	-	**354,374**	-	-	-	-	-	-	-	-	-	-	-	-	-
Salary-backed loans	-	-	-	-	53,071	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans to SMEs backed by MCC guarantee	-	-	-	-	131,270	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans to SMEs backed by MCC guarantee	-	-	-	-	170,033	-	-	-	-	-	-	-	-	-	-	-	-	-

C.3 Vehicle company for the securitisation

Securitisation name/ vehicle name	Registered office	Consolidation	Assets			Liabilities		
			Loans and receivables	Debt securities	Other	Senior	Mezzanine	Junior
Progetto Quinto S.r.l.	Via V. Alfieri 1 CONEGLIANO 31015 (TV)	YES	247,460			204,117		53,071
Progetto PMI 2 S.r.l.	Via V. Alfieri 1 CONEGLIANO 31015 (TV)	YES	617,017			500,000		131,270
Progetto PMI 2 S.r.l.	Via V. Alfieri 1 CONEGLIANO 31015 (TV)	YES	639,731			477,076		170,033

C.5 Servicer activities– own securitisations: collections of securitised loans and repayments of securities issued by the securitisation vehicle company

Vehicle company	Securitised assets (end of period figure)		Collection of loans made in the year		% share of securities redeemed (end of period figure)					
					senior		mezzanine		junior	
	Impaired	Unimpaired	Impaired	Unimpaired	impaired assets	unimpaired assets	impaired assets	unimpaired assets	impaired assets	unimpaired assets
Progetto Quinto S.r.l.	2,416	245,045	5,797	85,645	-	26.59%	-	-	-	-
Progetto PMI 2 S.r.l.	12,435	604,582	12,957	119,851	-	0%	-	-	-	-
Progetto PMI 2 S.r.l.	-	639,731	-	36,892	-	4.58%	-	-	-	-

C.6 Prudential consolidation – Consolidated securitisation vehicle company

Names	Type of assets	Credit quality	Securities issued	Nominal value
Progetto Quinto S.r.l.	Salary/pension-backed loans	performing loans	Senior notes	204,117
Progetto Quinto S.r.l.	Salary/pension-backed loans	performing loans	Junior notes	53,071
Progetto PMI 2 S.r.l.	Loans to SMEs backed by MCC guarantee	performing loans	Senior notes	500,000
Progetto PMI 2 S.r.l.	Loans to SMEs backed by MCC guarantee	performing loans	Junior notes	131,270
Progetto PMI 2 S.r.l.	Loans to SMEs backed by MCC guarantee	performing loans	Senior notes	477,076
Progetto PMI 2 S.r.l.	Loans to SMEs backed by MCC guarantee	performing loans	Junior notes	170,033

D. SALES OF FINANCIAL ASSETS

QUANTITATIVE INFORMATION

The Bank holds financial assets sold and not derecognised, which relate to salary-backed loans sold as part of the "Progetto Quinto" (formerly "Vidal") securitisation and to mortgage loans sold as part of the "Progetto PMI" and "Progetto PMI 2" securitisations.

D.1. Prudential consolidation – Financial assets sold in full and associated financial liabilities: carrying amounts

The assets sold and not derecognised did not include the salary-backed loans and the PMI loans subject to securitisation as they are in fact not considered sold, because the vehicles Progetto Quinto S.r.l., Progetto PMI S.r.l. and Progetto PMI 2 S.r.l. fall within the scope of consolidation of these consolidated financial statements.

D.3 Prudential consolidation - Sales of financial assets with liabilities that have recourse exclusively to the assets sold and not fully eliminated: fair value

As discussed previously, since the vehicles Progetto Quinto S.r.l., Progetto PMI S.r.l. and Progetto PMI 2 S.r.l. are included in the scope of consolidation of these consolidated financial statements, there are no assets sold and not derecognised.

E. PRUDENTIAL CONSOLIDATION - CREDIT RISK MEASUREMENT MODELS

No changes were made to the credit risk measurement models during 2022; to this end, the Bank uses the standardised approach for calculating the RWA of each credit and, consequently, for estimating the Own Funds absorbed by this type of risk.

Management tools are used to estimate and monitor capital absorption with reference to credit, counterparty and concentration risk, with the classification of exposures among the classes of analysis envisaged in the Supervisory regulations' standardised approach.

SECTION 1.2 - MARKET RISKS

Market risk is the risk that the value or flows of a financial instrument change due to changes in market factors. Market risk concerns interest rate risk, exchange rate risk and other price risks.

During 2022, Banca Progetto did not hold any financial instruments in its trading portfolio.

1.2.1 INTEREST RATE RISK AND PRICE RISK - TRADING BOOK FOR SUPERVISORY PURPOSES

INFORMATION OF A QUALITATIVE NATURE

A. General aspects

During 2022 Banca Progetto S.p.A. did not hold any financial instruments in its trading portfolio.

B. Interest rate risk and price risk management processes and measurement methods

Not applicable.

QUANTITATIVE INFORMATION

1. Trading book for supervisory purposes: distribution of financial assets and liabilities and financial derivatives by residual duration (repricing date)

During 2022 Banca Progetto S.p.A. did not hold any financial instruments in its trading portfolio.

3. Trading book for supervisory purposes: internal models and other methodologies for sensitivity analysis.

Not applicable.

1.2.2 INTEREST RATE RISK AND PRICE RISK – BANKING BOOK

INFORMATION OF A QUALITATIVE NATURE

A. General aspects, interest rate risk and price risk management processes and measurement methods

The interest rate risk relating to the banking book concerns the losses that a bank could suffer as a result of an unfavourable trend in market rates and the non-coincidence of the expiration and repricing dates (repricing risk) and the different trend in the reference rates of the assets and liabilities (basis risk).

It is measured using ALM techniques designed to estimate the impacts on the formation of net interest income and on the present value of assets and liabilities due to changes in interest rates.

The items involved are those for which there is no trading intent, i.e., those relating to services rendered to customers and strategic investments.

Interest rate risk is one of the so-called "second pillar" risks. In the ICAAP Report sent to the Supervisory Body, in accordance with Circular no. 285, Title III, Chapter 1, Annex C, interest rate risk was specifically measured in terms of capital absorption.

To this end, the Bank uses the methodology envisaged by the prudential regulations which provides for carrying out an interest rate sensitivity analysis through a shock determined on the basis of the changes in interest rates recorded in a 6-year observation period, alternatively considering the 1st percentile (downside) or the 99th (upside).

The methodology used entails:

- classification of assets and liabilities in 19-time bands, fixed rate assets and liabilities are classified on the basis of their residual life, floating rate assets and liabilities are classified in the various time bands on the basis of the interest rate renegotiation date;
- within each band, the debit and credit positions are multiplied by the weighting factors, obtained as the product of a hypothetical change in rates and an approximation of the modified duration relating to the individual bands. For the purpose of calculating the weighted net exposure by band, for each band, the weighted exposure of the asset positions is offset against that of the liability positions.
- sum of the weighted exposures of the various time bands: the weighted exposures of the various bands are added together, obtaining a total weighted exposure that approximates the change in the present value of the items exposed to this type of risk in the event of the assumed rate shock.

QUANTITATIVE INFORMATION

1. Banking book: distribution of financial assets and liabilities by residual duration (repricing date)

Currency - Euro

type/residual duration	sight	up to 3 months	from 3 to 6 months	from 6 months to 1 year	from 1 to 5 years	from 5 to 10 years	over 10 years	unspecified duration
1. On-balance sheet assets	**3,837,686**	**403,781**	**293,284**	**223,588**	**1,473,803**	**294,515**	**37**	-
1.1. Debt securities	-	-	181,666	-	317,269	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- others	-	-	181,666	-	317,269	-	-	-
1.2 Loans to banks	76,633	39,098	-	-	-	-	-	-
1.3 Loans to customers	3,761,053	364,683	111,618	223,588	1,156,534	294,515	37	-
- current accounts	1	-	-	80	-	-	-	-
- other loans	3,761,052	364,683	111,618	223,508	1,156,534	294,515	37	-
- with early repayment option	3,726,714	345,220	93,266	174,131	1,153,453	294,515	37	-
- others	34,339	19,463	18,352	49,377	3,081	-	-	-
2. On-balance sheet liabilities	**198,400**	**3,868,776**	**420,102**	**682,396**	**1,192,182**	**14,998**	**-**	**-**
2.1 Payables due to customers	66,565	2,186,545	420,102	682,396	1,060,793	14,998	-	-
- current accounts	65,225	2,038,679	158,843	65,828	133,084	-	-	-
- other deposits	1,340	147,866	261,259	616,568	927,709	14,998	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- others	1,340	147,866	261,259	616,568	927,709	14,998	-	-
2.1. Payables due to banks	131,835	501,361	-	-	131,389	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other deposits	131,835	501,361	-	-	131,389	-	-	-
2.3. Debt securities	-	1,180,870	-	-	-	-	-	-
- with early repayment option	-	1,180,870	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	-	**204,117**	-	-	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	204,117	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	204,117	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet transactions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ Long positions	2,399	-	-	-	-	-	-	-
+ Short positions	2,399	-	-	-	-	-	-	-

2. Banking book – internal models and other methods of sensitivity analysis

At 31 December 2022, applying this methodology, which provides for carrying out an interest rate sensitivity analysis through a shock determined on the basis of the changes in interest rates recorded in a 6-year observation period, alternatively considering the 1st percentile (downside) or the 99th (upside), shows an absorption of capital of Euro 4.7 million for interest rate risk.

1.2.3 EXCHANGE RATE RISK

INFORMATION OF A QUALITATIVE NATURE

A. General aspects, exchange rate risk management processes and measurement methods

The Bank does not hold significant exposures in currencies other than the Euro.

B. Exchange risk hedging

The Bank has no open positions.

1.3.2 ACCOUNTING HEDGES

INFORMATION OF A QUALITATIVE NATURE

The securitisation vehicle Progetto Quinto S.r.l. has taken out a derivative to hedge the interest rate risk (a plain vanilla IRS), which aims to transform the floating rate of the senior note into a fixed rate, thereby aligning the rates and maturities of the assets and liabilities on the balance sheet. The type of derivative envisages that the vehicle always has a notional value of the derivative equal to the notional value of the senior note issued. Consequently, the coverage ratio is structurally 1:1 for the entire duration of the operation, regardless of any early repayments of the loans which have an impact on the speed of amortisation of the senior note. The counterparty with which the vehicle has subscribed the derivative is BNP Paribas.

The positive fair value amounts to Euro 16.3 million at 31 December 2022 and the related notional value is Euro 204.1 million.

A. HEDGING DERIVATIVES

A.1 Hedging derivatives: end-of-period notional values

Underlying Assets/ TYPES OF DERIVATIVES	31/12/2022				31/12/2021			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With compensation agreements	Without compensation agreements			With compensation agreements	Without compensation agreements	
1. Debt securities and interest rates	**-**	**204,117**	**-**	**-**	-	**278,058**	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	204,117	-	-	-	278,058	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. equities and stock indexes	**-**	**-**	**-**	**-**	-	**-**	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Currencies and gold	**-**	**-**	**-**	**-**	-	**-**	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	**-**	**-**	-	-	-	**-**	-	-
5. Other underlyings	**-**	**-**	-	-	-	**-**	-	-
TOTAL	**-**	**204,117**	**-**	**-**	-	**278,058**	-	**-**

A.2 Hedging derivatives: positive and negative gross fair value – breakdown by products

TYPES OF DERIVATIVES	31/12/2022				31/12/2021			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With compensation agreements	Without compensation agreements			With compensation agreements	Without compensation agreements	
1. Positive fair value	**-**	**16,259**	-	-	-	**1,098**	-	-
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	16,259	-	-	-	1,098	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forward	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
2. Negative fair value	**-**	**-**	**-**	**-**	-	**-**	-	-
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forward	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	-	16,259	-	-	-	1,098	-	-

A.3 OTC hedging derivatives: notional values, positive and negative gross fair value by counterparty

Underlying Assets	Central counterparties	Banks	Other finance companies	Others
Contracts not covered by netting agreements				
1) Debt securities and interest rates	**-**	**-**	**-**	**-**
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Equities and stock indexes	**-**	**-**	**-**	**-**
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold	**-**	**-**	**-**	**-**
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Commodities	**-**	**-**	**-**	**-**
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4. Other	**-**	**-**	**-**	**-**
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
Contracts covered by netting agreements				
1) Debt securities and interest rates	**-**	**-**	**-**	**-**
- notional value	-	204,117	-	-
- positive fair value	-	16,259	-	-
- negative fair value	-	-	-	-
2) Equities and stock indexes	**-**	**-**	**-**	**-**
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies 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 life of OTC hedging derivatives: notional values

UNDERLYING / RESIDUAL LIFE	Up to 1 year	From 1 to 5 years	Over 5 years	TOTAL
A.1 Financial derivatives on debt securities and interest rates	-	204,117	-	204,117
A.2 Financial derivatives on equities and stock indexes	-	-	-	-
A.3 Financial derivatives on currencies and gold	-	-	-	-
A.4 Financial derivatives on commodities	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
TOTAL 31/12/2022	**-**	**204,117**	**-**	**204,117**
TOTAL 31/12/2021	-	**278,058**	**-**	**278,058**

D. HEDGING INSTRUMENTS

D.2 Hedging of financial flows and foreign investments

		Change in the value used to recognise the ineffectiveness of the hedge	Hedging reserves	Termination of hedging: residual value of hedging reserves
A. HEDGING OF FINANCIAL FLOWS				
1. Assets		**-**	**16,259**	**-**
1.1. Debt securities and interest rates		-	16,259	-
1.2 Equities and stock indices		-	-	-
1.3 Currencies and gold		-	-	-
1.4 Loans and receivables		-	-	-
1.5. Other		-	-	-
2. Liabilities		**-**	**-**	**-**
1.1 Debt securities and interest rates		-	-	-
1.2 Currencies and gold		-	-	-
1.3 Other		-	-	-
Total (A)	**31/12/2022**		**16,259**	
Total (A)	**31/12/2021**		**1,098**	
B. HEDGING OF FOREIGN INVESTMENTS		-	-	-
TOTAL (A+B)	**31/12/2022**	-	**16,259**	-
TOTAL (A+B)	**31/12/2021**	-	**1,098**	-

E. EFFECTS OF HEDGING TRANSACTIONS ON EQUITY

E.1. Reconciliation of equity components

	Cash flow hedging reserve				
	Debt securities and interest rates	**Equities and stock indexes**	**Currencies and gold**	**Loans and receivables**	**Other secured guarantees**
Opening balance	**-**	-	-	-	-
Changes in fair value (effective portion)	16,259	-	-	-	-
Transfers to profit or loss	-	-	-	-	-
- of which: future transactions no longer expected	-	-	-	-	-
Other changes	-	-	-	-	-
- of which: transfers to the initial carrying amount of the hedged instruments	-	-	-	-	-
Closing balance	**16,259**	**-**	**-**	**-**	**-**

SECTION 1.4 - LIQUIDITY RISK

INFORMATION OF A QUALITATIVE NATURE

A. General aspects, liquidity risk management processes and measurement methods

Liquidity risk is the possibility that the Bank will not be able to meet its payment commitments due to an inability to raise funds (funding liquidity risk) or an inability to sell assets on the market to meet the liquidity imbalance (market liquidity risk). Liquidity risk also concerns the inability to find adequate new financial resources, in terms of amount and cost, with respect to operational needs/opportunities, which forces the Bank to slow down or stop the development of its business, or incur excessive funding costs to meet its commitments, with significant negative impacts on its margins[7]. The Bank's main sources of finance are its equity, deposits from retail corporate and financial customers, as well as forms of collateralised deposits with central or institutional counterparties.

In any case, the Bank is constantly engaged in developing its financial resources in a harmonious way, in terms of both size and costs.

The Bank has adopted a specific liquidity risk management policy, as well as a Contingency Funding Plan that establishes the objectives and explains the processes and intervention strategies to be implemented in emergency conditions:

- <u>Liquidity risk management policy</u>

  This document, which was approved by the Board of Directors in June 2021, lays down the guidelines for managing liquidity risk during ordinary operations in terms of governance structure, measurement tools and risk management, monitoring and control methods.

- <u>Contingency Funding and Liquidity Plan</u>

  This document, approved by the Board of Directors in June 2021, lays down the guidelines for managing liquidity risk during phases of tension or liquidity crisis in terms of governance structure, definition of early warnings and states of tension/crisis and the processes to be activated (escalation and recovery option process).

- <u>Liquidity indicators</u>

  The new harmonised legislation for banks and investment firms contained in EU Regulation no. 575/2013 (CRR), as updated to the present day, has introduced the following liquidity indicators:

  - Liquidity Coverage Ratio (LCR): short-term liquidity coverage indicator which aims at forcing banks to accumulate sufficient high-quality, easily marketable assets, in order to cope with a scenario of major funding stress for a period of thirty days. At 31 December 2022 it was 267%.

[7] This risk takes on different connotations and impacts in conditions of normal operation or in conditions of stress on the financial markets.

- Net Stable Funding Ratio (NSFR): long-term structural indicator which is measured with the intention of signalling the existence of any imbalances between the company's liquid assets and liabilities. At 31 December 2022 it was 113.3%.

The liquidity requirements are therefore well above 100%, so above the theoretical target indicated in the period by the Basel 3 regulation. The NSFR value is also significantly higher than the regulatory threshold of 100%.

A. INFORMATION OF A QUANTITATIVE NATURE

1. *Time distribution of financial assets and liabilities by contractual residual duration*

Currency: Euro

Items/time bands	sight	from 1 to 7 days	from 7 to 15 days	from 15 days to 1 month	from 1 to 3 months	from 3 to 6 months	from 6 months to 1 year	from 1 to 5 years	over 5 years	unspecified maturity
Cash assets	**194,621**	**8,497**	**118**	**85,600**	**262,875**	**360,809**	**820,050**	**4,086,752**	**877,106**	**39,098**
A.1 Government securities	-	-	-	-	338	2,819	30,338	470,000	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 U.C.I.T.S.	-	-	-	-	-	-	-	-	-	-
A.4 Loans	194,621	8,497	118	85,600	262,537	357,990	789,712	3,616,752	877,106	39,098
- Banks	76,731	-	-	-	-	-	-	-	-	39,098
- Customers	117,991	8,497	118	85,600	262,537	357,900	789,712	3,616,752	877,106	-
Cash liabilities	**66,547**	**128,683**	**61,156**	**570,910**	**2,174,168**	**468,369**	**804,667**	**2,134,529**	**15,021**	**-**
B.1 Deposits and Current accounts	65,178	126,857	61,152	555,803	2,140,125	412,910	671,983	1,158,144	-	-
- Banks	-	50,028	-	401,384	50,344	-	-	262,069	-	-
- Customers	65,178	76,829	61,152	154,419	2,089,781	412,910	671,983	896,075	-	-
B.2 Debt securities	-	1,826	-	15,104	33,924	55,145	132,060	971,619	14,728	-
B.3 Other liabilities	1,369	-	4	3	119	314	624	4,766	293	-
Off-balance sheet transactions	**(2,146)**	**-**	**2,934**	**6,629**	**10,690**	**21,919**	**153,421**	**17,106**	**9**	**-**
C.1 Financial derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.2 Financial derivatives without exchange of capital	253	-	2,934	6,629	10,690	21,917	153,417	14,728	-	-
- Long positions	253	-	2,934	6,629	10,690	21,917	153,417	14,728	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	(2,399)	5	-	-	1	2	4	2,378	9	-
- Long positions	-	-	-	-	1	2	4	2,378	9	-
- Short positions	(2,399)	5	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

SECTION 1.5 - OPERATIONAL RISK

INFORMATION OF A QUALITATIVE NATURE

A. General aspects, operational risk management processes and measurement methods

Starting from 30 June 2016, Banca Progetto S.p.A. has adopted the basic method for calculating the own funds requirement for operational risk in compliance with the indications provided by the prudential supervisory regulations.

Therefore, starting from the report at 30 June 2016, the individual own funds requirement for the operational risk of Banca Progetto is calculated with the basic approach.

The definition chosen by Banca Progetto identifies operational risk as the "*risk of losses resulting from the inadequacy or malfunction of processes, human resources and internal systems, or from external events, including legal risk*".

This management system, the main objectives of which are to contain operating losses and improve critical internal processes, involves the following activities:

- detection of subjective qualitative estimates (Risk Self-Assessment);
- calculation of requirement and assessment of exposure to operational risk.

In particular, identifying internal operating losses and carrying out the Risk Self-Assessment allow the Bank to highlight the most critical areas for which specific mitigation measures are proposed, especially increasing first level controls.

QUANTITATIVE INFORMATION

During 2022, no particular operational loss events were recorded by the Bank.

Part F —
INFORMATION ON CONSOLIDATED CAPITAL

SECTION 1 – THE COMPANY'S FIRST CONSOLIDATED FINANCIAL STATEMENTS

A. INFORMATION OF A QUALITATIVE NATURE

Capital represents the first safeguard against the risks associated with the banking business in general. An adequate level of capitalisation makes it possible to express the entrepreneurial vocation with the necessary margins of autonomy and at the same time to preserve banks' stability. Capital is also the main point of reference for the Supervisory Body's assessment of banks' stability. The most important control tools for risk management are based on it; the size of capital is also linked to operations in various sectors.

The Basel 3 framework concerning own funds has introduced various new elements compared with the previous prudential regulations, providing in particular: a recomposition of the banks' capital in favour of ordinary shares and retained earnings (so-called "common equity"), in order to increase its quality; the adoption of more stringent criteria for the computability of other capital instruments (innovative capital instruments and subordinated liabilities); greater harmonisation of the elements to be deducted (with reference to certain categories of deferred tax assets and significant investments in banking, financial and insurance companies); only partial inclusion of minority interests in common equity.

The new rules on own funds are being gradually introduced, given that a transitional period is envisaged. The rules added to the Capital Requirements Regulation (CRR) after the introduction of IFRS 9, in particular those on loan loss adjustments made at the time of FTA, provide for a phase-in period up to 2022 for the static regime, whereas those for the dynamic regime envisage a phase-in period up to 2024 (following the recent update of the CRR).

In the determination of own funds, reference is made to the specific regulation according to which it is made up of the sum of a series of elements (positive and negative) which, in relation to the asset quality assigned to each of them, can enter the calculation of Class 1 (both in Common Equity Tier 1 and in Additional Tier 1 Capital) or Tier 2, albeit with some limitations. The positive elements that make up own funds must be fully available to the banks, so that they can be used without limitation to cover corporate risks and losses. These elements is shown net of any tax charges. The capital base is made up of Tier 1 capital, which in turn consists of Common Equity Tier 1 - CET 1) and Additional Tier 1 capital - AT 1 to which the Tier 2 Capital - T2 is added, net of deductions.

B. INFORMATION OF A QUANTITATIVE NATURE

B.1 Consolidated book equity: breakdown

Items/Amounts	31/12/2022	31/12/2021
1. Share capital	**10,404**	**10,404**
2. Share premium reserve	**54,048**	**54,048**
3. Reserves	**97,557**	**46,569**
- retained earnings	11,898	(29,089)
a) legal reserve	3,080	1,031
b) statutory reserve	-	-
c) treasury shares	-	-
d) other	8,818	(30,120)
- other	85,659	75,660
4. Equity instruments	**-**	**-**
5. (Treasury shares)	**-**	**-**
6. Valuation reserves	**10,754**	**542**
Equities at fair value through other comprehensive income	-	-
Hedging of equities at fair value through other comprehensive income	-	-
Financial assets (other than equities) at fair value through other comprehensive income	-	-
Property, plant and equipment	-	-
Intangible assets	-	-
Hedging of foreign investments	-	-
Hedging of financial flows	10,882	735
Hedging instruments [elements not designated]	-	-
Exchange differences	-	-
Non-current assets and disposal groups held for sale	-	-
Financial liabilities at fair value through profit or loss (changes in own creditworthiness)	-	-
Actuarial gains (losses) on defined-benefit pension plans	(128)	(192)
Share of valuation reserves relating to investments carried at equity	-	-
Special revaluation laws	-	-
7. Profit (loss) for the year	**51,984**	**40,988**
TOTAL	**224,747**	**152,551**

B.4. Valuation reserves relating to defined benefit plans: annual changes

	31/12/2022	31/12/2021
1. Opening balance	**(192)**	**(205)**
2. Positive changes	**-**	**-**
2.1 Increases	-	-
2.2 Other changes	-	-
3. Negative changes	**64**	**13**
3.1 Decreases	64	13
3.2 Other changes	-	-
4. Closing balance	**(128)**	**(192)**

SECTION 2 - CONSOLIDATED OWN FUNDS AND CAPITAL RATIOS

A. INFORMATION OF A QUALITATIVE NATURE

Own funds are the Supervisory Body's main point of reference for checking the stability of banks, setting minimum capital adequacy requirements.

Own funds act as the reference framework for prudential supervision, as financial resources capable of absorbing potential losses from banks' exposure to the typical risks of their business.

The provisions on prudential supervision are aimed at harmonising the criteria for calculating own funds with the application of IAS/IFRS. In particular, they define the so-called "prudential filters" which serve to protect the quality of own funds and reduce the potential volatility caused by international accounting standards.

1. Common Equity Tier 1 - CET1

Tier 1 Capital is made up of Common Equity Tier 1 (CET1) capital and Additional Tier 1 (AT1) capital. The most important form of Tier 1 is Common Equity, consisting of equity instruments, retained earnings, valuation reserves, other reserves, computable minority interests, as well as deductions.

There are also some filters, consisting of regulatory adjustments to the carrying amount of the (positive or negative) elements of Tier 1 capital. The legislation also provides for a series of deductions from Common Equity Tier 1 capital, such as deferred tax assets (DTA).

2. Additional Tier 1 capital – AT1

Like CET1, AT1 capital must also be able to absorb losses in going concern conditions. It has to comply with a number of important criteria, including subordination to the bank's other creditors, including depositors and subordinated creditors, the lack of an obligation to distribute dividends and perpetual duration. Equity instruments other than ordinary shares (which are included in Common Equity) and which comply with the regulatory requirements for inclusion at this level of own funds are generally included in this component.

3. Tier 2 capital – T2

T2 Capital contains the tools able to absorb losses in compliance with the regulatory instructions contained in Articles 48 and 52 of the Directive of the European Parliament and Council no. 2014/59/EU which specifically concerns the order in which the termination authority must proceed with the reduction and/or conversion of the bonds of an institution in financial difficulty.

B. INFORMATION OF A QUANTITATIVE NATURE

	31/12/2022	31/12/2021
A. Common Equity Tier 1 (CET1) capital prior to the application of prudential filters	224,748	152,551
of which: CET1 instruments subject to transitional provisions		
B. CET1 prudential filters (+/-)		
C. CET1 prior to the deductions and impact of the transitional provisions (A +/- B)	224,748	152,551
D. Deductions from CET1	2,688	2,984
E. Transitional provisions - Impact on CET1 (+/-)	4,033	5,885
F. Total CET1 (C - D +/- E)	226,093	155,452
G. AT1 prior to deductions and impact of the transitional provisions		
of which: AT1 instruments subject to transitional provisions		
H. Deductions from AT1		
I. Transitional provisions - Impact on AT1 (+/-)		
L. Total AT1) (G - H +/- I)		
M. T2 prior to deductions and impact of the transitional provisions		
of which: T2 instruments subject to transitional provisions		
N. Deductions from T2		
O. Transitional provisions - Impact on T2 (+/-)		
P. Total T2 (M - N +/- O)		
Q. Total consolidated own funds (F + L + P)	226,093	155,452

The elements to be deducted from CET1 are attributable to intangible fixed assets of Euro 2.7 million. The impact of the transitory regime - positive for Euro 4.0 million - is attributable to the effects of IFRS 9 on loan loss adjustments (the legislation provides for a transitory phase-in mechanism that expires in 2022 for the static regime and 2024 for the dynamic regime). As a consequence of the above, own funds at the end of 2022 amount to Euro 226.1 million.

CAPITAL ADEQUACY

A. INFORMATION OF A QUALITATIVE NATURE

The following regulatory basic levels apply to banks: 4.5% for Common Equity Tier 1, 6.0% for Tier 1 and 8.0% for Total Capital. In addition to these basic ratios, additional buffers set at a systemic level (including the capital conservation buffer and the countercyclical buffer) or at the individual institution level may apply.

B. INFORMATION OF A QUANTITATIVE NATURE

Items/amounts	Unweighted amounts (*)		Weighted/required amounts	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
A. RISK ASSETS				
A.1 Credit and counterparty risk	6,703,974	4,638,202	1,103,569	672,127
1. Standardised approach	6,703,974	4,638,202	1,103,569	672,127
2. Internal ratings-based approach	-	-	-	-
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisations	-	-	-	-
B. MINIMUM CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			88,285	53,770
B.2 Credit valuation adjustment risk			-	-
B.3 Regulatory risk			-	-
B.4 Market risk			-	-
1. Standardised approach			-	-
2. Internal models			-	-
3. Concentration risk			-	-
B.5 Operational risk			16,925	8,431
1. Basic approach			16,925	8,431
2. Standardised approach			-	-
3. Advanced approach			-	-
B.6 Other calculation items			-	-
B.7 Total prudential requirements			105,210	62,201
C. RISK ASSETS AND CAPITAL RATIOS				
C.1 Risk-weighted assets			**1,315,132**	**777,518**
C.2 Common Equity Tier 1 capital/Risk weighted assets (CET1 capital ratio)			**17.19%**	**19.99%**
C.3 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)			**17.19%**	**19.99%**
C.4 Tier 1 and 2 capital/risk-weighted assets (Total capital ratio)			**17.19%**	**19.99%**

(*) The "unweighted amounts" correspond to the credit equivalent: amount of exposure that takes into account prudential filters, risk mitigation techniques and credit conversion factors.

Having consolidated own funds of Euro 226.1 million is also as a result of the non-returnable payments on account towards a future increase in capital of Euro 10 million made by the majority shareholder during 2022, as well as the positive result for the year. Weighted assets of Euro 1,315 million derive almost exclusively from the credit risk on salary-backed loans and loans to companies backed by central guarantee funds. Risk-weighted assets increased as a result of the disbursements of loans to companies which raised the stock by about Euro 1.9 billion in 2022; the effect on risk-weighted risks of the increase in the stock of salary-backed loans was less significant. Also worthy of note is the increase in requirements for operational risk following the increase in the relevant indicator due to the growth in the economic results.

The consolidated CET1 capital ratio comes to 17.19%, while the fully loaded consolidated ratio is 16.88%.

CONSOLIDATED FINANCIAL STATEMENTS 2022

Part G —
BUSINESS COMBINATIONS

No extraordinary business combinations were carried out concerning companies or business units during 2022.

BANCA PROGETTO

Part H —
RELATED-PARTY TRANSACTIONS

The purpose of the rules on related-party transactions is to control the risk that the proximity of certain subjects (so-called "related parties") to the decision-making centres of the company could compromise the objectivity and impartiality of decision-making, with possible distortions in the process of allocation of resources, in the company's exposure to risks that are not adequately measured or monitored, as well as potential damage to the company and its stakeholders.

In particular, paragraph 9 of IAS 24 defines the concept of related party as follows:

i) a person or close family member of that person is related to an entity that prepares financial statements if that person:

  a) has joint control or control of the entity that prepares the financial statements;

  b) has a significant influence on the entity that prepares the financial statements; or

  c) is part of the key management personnel of the entity that prepares the financial statements or its parent company.

ii) an entity is related to an entity that prepares financial statements if any of the following conditions apply:

  a) the entity and the entity that prepares the financial statements belong to the same group (which means that each parent, subsidiary or group company is related to the others);

  b) an entity is an associate or a joint venture of the other entity (or an associate or joint venture belonging to a group to which the other entity belongs);

  c) both entities are joint ventures of the same third party;

  d) the entity is a joint venture of a third entity, and the other entity is an associate of the third entity;

  e) the entity is represented by a defined-benefit plan subsequent to the end of the employment relationship for the employees of the entity that prepares the financial statements, or an entity related to it. If the entity that prepares the financial statements is itself such a plan, the employers who sponsor it are also related to the entity that prepares the financial statements;

  f) the entity is controlled or jointly controlled by a person identified in point a); or

  g) a person identified in point i) a), has significant influence over the entity or is part of the key management personnel of the entity (or its parent).

In addition, the Bank has adopted a specific internal procedure for carrying out transactions with related parties in implementation of the regulation of the Bank of Italy (circular 285/2013).

The Board of Directors approved the regulation on "management of conflicts of interest and related-party transactions", most recently updated on 26 January 2022 and available on the Bank's website at www.bancaprogetto.it (the "Policy").

Information on the remuneration of Directors and Managers

1.1 Remuneration paid to the members of the Board of Directors and the Board of Statutory Auditors

Euro/thousand

BOARD OF DIRECTORS	Office	Fees	Fringe benefits	Bonus and other incentives	Other remuneration
Carlo Garavaglia	Chairman	100	-	-	-
Paolo Fiorentino	Chief Executive Officer	660	-	330	-
Mario Adario (*)	Deputy Chairman	-	-	-	-
Liliana Fratini Passi	Director	40	-	-	-
Francesco Mancini (*)	Director	-	-	-	
Stefano Mazzoli (*)	Director	-	-	-	-
Italo Vitale (**)	Director	40	-	-	40

(*) The Directors representing the majority shareholder have waived the annual emolument (Euro 40,000) due to them and recognised by the Shareholders' Meeting of 29 April 2021, which appointed the Board of Directors for the 2021-2023 three-year period.

(**) "Other fees" refer to participation at meetings of the Qualified Credit Committee, as per the resolution of 21/12/2021.

Euro/thousand

BOARD OF STATUTORY AUDITORS	Office	Fees	Fringe benefits	Bonus and other incentives	Other remuneration
Marco Reboa	Chairman	50	-	-	-
Laura Braga	Statutory Auditor	20	-	-	5
Maurizio Parni	Statutory Auditor	20	-	-	10
Pietro Pagnozzi	Member of the Supervisory Body				5

The Ordinary Shareholders' Meeting held on 28 April 2022 appointed the Board of Statutory Auditors for the three-year period 2022-2024 with an annual fee of Euro 50 thousand for the Chairman and Euro 20 thousand for each Standing Auditor. The Shareholders also appointed the Board of Statutory Auditors to carry out the functions of Supervisory Body pursuant to Legislative Decree 231/2001 with an additional annual fee of Euro 10 thousand for the Chairman, and Euro 5 thousand for each Auditor.

1.2 Remuneration of Key Management Personnel

Euro/thousand

Key Management Personnel	Short-term benefits (salary)	Post-employment benefits (Supplementary pension)	Severance indemnity for termination of employment	Grand total
Key Management Personnel	1,765	-		1,765

2. Information on related-party transactions

2.1 Other related parties

Euro/thousand	Receivables due from customers	Intangible assets	Payables due to customers	Costs	Income
Other related parties	15,480	491	1,049	704	476

At 31/12/2022 there were a number of transactions with related parties relating to receivables for SME loans for Euro 15.4 million, intangible assets for Euro 0.5 million and payables for deposits of Euro 1.0 million. Costs refer to IT and marketing expenses, amortisation of intangible assets and interest expense, while revenues are made up entirely of interest income on loans.

Part L —
SEGMENT REPORTING

BANCA PROGETTO'S RESULTS BY BUSINESS SEGMENT AT 31 DECEMBER 2022

Based on EC Regulation no. 1358/2007, companies that applied IAS/IFRS had to adopt IFRS 8 "Operating segments" instead of IAS 14 "Segment reporting", starting from the first annual financial statements closed after 1 January 2009. IFRS 8 establishes that the operating segments subject to financial reporting must be identified on the basis of the internal reports that are seen by the Chief Operating Decision Maker to assess the performance of the various sectors and to allocate resources to them. This marked a substantial difference compared with the approach of IAS 14 based on "risks and benefits", which required splitting the figures into homogeneous sectors according to the risks and sources of profitability.

On the basis of the current reporting system prepared by the management accounting department, the information by operating segments is split taking into account:

- The Salary-backed loans segment which includes lending to customers (private sector employees, public sector employees and pensioners) to be repaid by assigning a fifth of their salary or pension.
- The SME loans segment, which refers to medium-long term loans to support the growth of small and medium-sized enterprises, with the prevalent use of the central guarantee fund (MCC) or the SACE guarantee, as well as the purchase without recourse of VAT credits.
- Treasury activities which include the management of financial resources and the proprietary portfolio, as well as the costs of funding not allocated to the businesses highlighted above.
- The Corporate Centre which includes operating costs to support the Bank's businesses and all activities not allocated to salary-backed loans, SME financing and treasury, as well as instant lending to private individuals and the run-off of residual loans of the former Banca Popolare Lecchese.

Secondary disclosure by geographical area has been omitted as not significant: customers are essentially concentrated in the domestic market, with the exception of deposit accounts in Germany, Spain and the Netherlands through the Raisin DS platform.

At the end of the year, funding through this platform came to Euro 1,604 million, 80% of which in Germany.

REPORTS BY BUSINESS SECTORS - P&L figures at 31.12.2022 (Euro/thousand)

Items	Salary-backed loans	SME loans*	Treasury	Corporate Centre and Mortgages of the former Banca Lecchese**	Total
Net interest income	11,129	172,059	(3,063)	803	180,928
Net fees and commissions	1,058	(1,753)	(83)	(11)	(789)
Other revenue	-	-	-	-	-
Operating income	12,187	170,306	(3,146)	792	180,140
Net adjustments for impairment losses	204	(35,181)	246	912	(33,819)
Net profit (loss) from financial activities	12,391	135,125	(2,900)	1,704	146,321
Staff costs	(1,736)	(5,418)	(259)	(11,535)	(18,948)
Other expenses	(8,406)	(13,299)	(1,717)	(26,863)	(50,285)
Profit/(Loss) before taxes	2,250	116,408	(4,876)	(36,694)	77,088

REPORTS BY BUSINESS SECTORS - Balance sheet figures at 31.12.2022 (Euro/thousand)

Items	Salary-backed loans	SME loans*	Treasury	Corporate Centre and Mortgages of the former Banca Lecchese**	Total
Cash and receivables due from banks	-	-	115,731	-	115,731
Receivables due from customers	626,687	5,266,244	498,935	19,097	6,410,963
Payables due to banks	-	280,663	483,922	-	764,585
Payables due to customers	422,870	4,008,528	-	-	4,431,398
Debt securities in issue	203,817	977,053	-	-	1,180,870

* Includes purchase without recourse of VAT credits
** Includes instant lending to private individuals

CONSOLIDATED FINANCIAL STATEMENTS 2022

Parte M —
INFORMATION ON LEASES

SECTION 1 - LESSEE

This part provides the information required by IFRS 16 which is not present in the other parts of the financial statements. The Bank only acts as a lessee.

QUALITATIVE INFORMATION

The Bank essentially has lease contracts outstanding for property and cars.

At 31/12/2022 there are 34 lease contracts, of which 6 relating to property, for total rights of use of Euro 5.7 million.

These contracts have a duration of more than 12 months and typically present renewal and extinction options that can be exercised by the lessor and lessee according to the rules of law or specific contractual provisions.

They do not include the purchase option at the end of the lease or significant restoration costs for the Bank. The total duration of the lease is the same as the contractual duration.

Contracts referring to other leases relate to cars. These are long-term rental contracts referring to the company pool of cars made available to employees (for business and private use) or to departments of the bank. Generally, these contracts have a four-year duration, with monthly payments and no renewal option. They do not include an option to purchase the asset. The contract can be extended according to the needs of the carpool; a penalty may be due in the event of early termination.

Leases other than those relating to property and cars are of an insignificant amount.

The Bank makes use of the exemptions permitted by IFRS 16 for short-term leases (i.e., with a duration of less than or equal to 12 months) or for leasing assets of modest value (i.e., of a value of less than or equal to Euro 5,000).

QUANTITATIVE INFORMATION

Part B - Explanatory Notes - Assets gives information on the rights of use acquired with leases (Table 8.1 - Tangible assets for business use: breakdown of the assets measured at cost) and Part B - Liabilities shows the lease payables (Table 1.1 - Financial liabilities measured at amortised cost: breakdown of amounts due to banks, Table 1.2 - Financial liabilities valued at amortised cost: breakdown of amounts due to customers and Table 1.6 - Lease payables). In particular, the rights of use acquired through leases amount to Euro 5.7 million, of which Euro 5.5 million relating to leased properties.

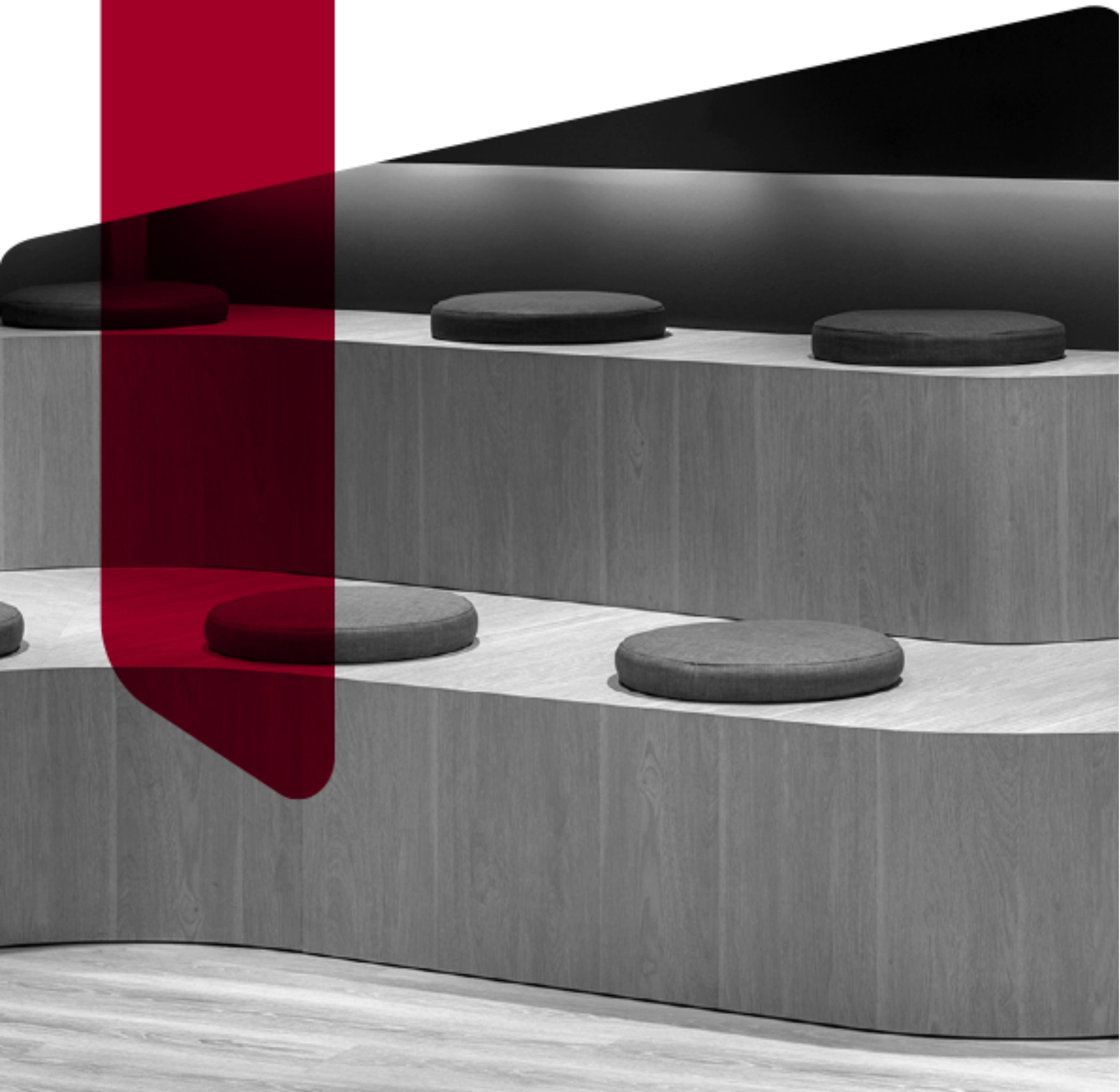
Part C of the explanatory notes contains information on the interest expense on lease liabilities and other charges associated with the rights of use acquired with leases. Please refer to the specific sections for further details.

The following table divides depreciation of the right-of-use assets into the various categories, in line with the presentation of property, plant and equipment.

Assets/Income components	31/12/2022
Depreciation of the rights of use acquired with leases:	
a) land	-
b) buildings	(1,101)
c) furniture	-
d) electronic systems	-
e) other	(115)
Total	**(1,216)**

BANCA PROGETTO

Attachment 1 —
FEES PAID TO THE AUDITORS



Attachment 1 - Fees paid to the auditors

As required by art. 149 - *duodecies* of the Issuers Regulation (Disclosure of fees) and Assirevi Research Document no. 118 (Disclosure of audit fees and fees for services other than auditing), a table containing the fees for the year must be presented as an attachment to the financial statements of the company that awarded the audit engagement, for the services provided to the company by the following entities:

a) by the audit firm, for the provision of auditing services;

b) by the audit firm, for the provision of services other than auditing, broken down between verification services for the purpose of issuing a certificate and other services distinguished by type;

c) by entities belonging to the same network as the audit firm, for the provision of services, broken down by type.

The following table indicates the fees for 2022 paid by Banca Progetto S.p.A. to KPMG S.p.A., without considering the expenses and VAT.

Type of services	Entity that provided the service	Recipient	Fees (thousands of Euro)
Audit	KPMG S.p.A.	Banca Progetto S.p.A.	191
Certification services (*)	KPMG S.p.A.	Banca Progetto S.p.A.	24
Other services (**)	KPMG S.p.A.	Banca Progetto S.p.A.	7
Audit	KPMG S.p.A.	Progetto Quinto S.r.l.	27
Voluntary audit	KPMG S.p.A.	Progetto PMI S.r.l.	19
Voluntary audit	KPMG S.p.A.	Progetto PMI 2 S.r.l.	19

(*) Certification services:

- Check on the calculation of the contributions to be paid to the National Guarantee Fund for Euro 2 thousand;

- Certification of tax returns for Euro 2 thousand;

- Services for verifying participation in the TLTRO-III auction for Euro 20 thousand.

(**) Other services:

- Verification of the Service Report of Progetto Quinto S.r.l.

Attachment 2 —
PUBLIC DISCLOSURE, STATE BY STATE

Attachment 2 - Public disclosure, state by state

Figures as of 31 December 2022

The following information is published as required by letters a) to f) of Attachment A of Part One, Title III, Chapter 2 of the Bank of Italy's Circular no. 285 of 17 December 2013 and subsequent updates.

a) Name of the companies established and nature of the business

Banca Progetto S.p.A. (also the “Company”)

Pursuant to art. 4 of the Articles of Association, the Company has as its object the taking of savings deposits and the granting of credit in its various forms and can carry out, in compliance with the provisions in force, and, where necessary, obtaining the necessary authorisations, all banking and financial transactions and services, as well as any other type of transaction related to its business or in any case connected to the achieving its corporate purpose.

b) Turnover

At 31 December 2022, the Company's turnover, i.e. its operating income (item 120 of the statement of profit or loss), came to Euro 179,930,363.

c) Number of employees on a full-time equivalent basis

At 31 December 2022, the Company had 213 employees on a full-time equivalent basis, i.e. the ratio between the total number of hours worked by all employees, excluding overtime, and the annual total contractually envisaged for an employee hired on a full-time basis.

d) Profit (loss) before tax

As of 31 December 2022, the profit before taxes of the Company, referred to in item 260 of the statement of profit and loss, is equal to Euro 77,070,827.

e) Taxes on profit or loss

As of 31 December 2022, the Company's taxes, referred to in item 270 of the statement of profit and loss, are negative for Euro 25,086,720.

f) Profit (loss) for the year

At 31 December 2022, the Company's net profit, as per item 300 in the statement of profit or loss, is Euro 51,984,107.

g) Public grants received

During 2022, Banca Progetto S.p.A. received 46 reimbursements through enforcement of guarantees previously issued in favour of companies financed by the Central Guarantee Fund for SMEs for a total of Euro 15,841,517.

CONSOLIDATED FINANCIAL STATEMENTS 2022

BANCA PROGETTO

REPORT OF THE INDEPENDENT AUDITORS

Report of the Independent Auditors

KPMG S.p.A.
Revisione e organizzazione contabile
Via Vittor Pisani, 25
20124 MILANO MI
Telefono +39 02 6763.1
Email it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

(This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
Banca Progetto S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Banca Progetto S.p.A. (the "Bank") and its subsidiaries, which comprise the statement of financial position as at 31 December 2022, the statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Banca Progetto S.p.A. and its subsidiaries as at 31 December 2022 and of their financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 43 of Legislative decree no. 136/15.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Bank in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Banca Progetto S.p.A. and its subsidiaries
Independent auditors' report
31 December 2022

Classification and measurement of loans and receivables with customers recognised under financial assets at amortised cost

Notes to the consolidated financial statements "Part A - Accounting policies": section A.2. "Main items in the financial statements"

Notes to the consolidated financial statements "Part B - Information on the statement of financial position - Assets": section 4 "Financial assets at amortised cost - item 40"

Notes to the consolidated financial statements "Part C - Information on the statement of profit or loss": section 8.1 "Net impairment losses on financial assets at amortised cost: breakdown"

Notes to the consolidated financial statements "Part E - Information on risks and hedging policies": section 1 "Credit risk"

Key audit matter	Audit procedures addressing the key audit matter
Lending to customers is the Bank's core activities. Loans and receivables with customers recognised under financial assets at amortised cost totalled €5.91 billion at 31 December 2022, accounting for 88% of total assets. Net impairment losses on loans and receivables with customers recognised in profit or loss during the year totalled €33.8 million. For classification purposes, the Bank's directors make analyses that are sometimes complex in order to identify those positions that show evidence of impairment after disbursement and/or acquisition. To this end, they consider both internal information about the performance of exposures and external information about the reference sector and borrowers' overall exposure to banks. Measuring loans and receivables with customers is a complex activity, with a high degree of uncertainty and subjectivity, with respect to which the Bank's directors apply internal valuation models that consider many quantitative and qualitative factors, including historical collection flows, expected cash flows and related estimated collection dates, the existence of any indicators of impairment, an assessment of any guarantees, the impact of macroeconomic variables, future scenarios and risks of the sectors in which Banca Progetto S.p.A. and its subsidiaries' customers operate. The complexity of the directors' estimation process has increased as a result of the geopolitical uncertainties caused by the conflict in Ukraine and the Covid-19 emergency in 2022. These uncertainties have severely worsened current economic conditions and the outlook for future macroeconomic scenarios and have had a strong impact on the energy market, supply chains, inflationary pressure and, therefore, on monetary policies, leading central banks to raise interest rates in	Our audit procedures included: • gaining an understanding of the Bank's processes and IT environment in relation to the disbursement, monitoring, classification and measurement of loans and receivables with customers; • assessing the design and implementation of controls and performing procedures to assess the operating effectiveness of material controls, especially in relation to the identification of exposures with indicators of impairment and the calculation of impairment losses; • analysing the classification criteria used for allocating loans and receivables with customers to the IFRS 9 categories (staging) and sample-based test of their classification; • analysing the individual and collective impairment assessment policies and models used and checking the reasonableness of the main assumptions and variables included therein, as well as the adjustments made as a result of the financial effects of the geopolitical situation caused by the conflict in Ukraine and the Covid-19 pandemic. We carried out these procedures with the assistance of experts of the KPMG network; • selecting a sample of exposures tested collectively, checking the application of the measurement models applied and checking that the impairment rates applied complied with those provided for in such models; • selecting a sample of exposures tested individually and checking the reasonableness of the indicators of impairment identified and of the assumptions about their recoverability, including considering the guarantees received;

2

Key audit matter	Audit procedures addressing the key audit matter
the main economies. This required the directors to revisit the valuation processes and methods. For the above reasons, we believe that the classification and measurement of loans and receivables with customers recognised under financial assets at amortised cost are a key audit matter.	• analysing the significant changes in the loan and receivable categories and in the related impairment rates compared to the previous years' figures and discussing the results with the relevant internal departments; • assessing the appropriateness of the disclosures about loans and receivables with customers recognised under financial assets measured at amortised cost, also in the light of the increased disclosure requirements

Responsibilities of the Bank's directors and board of statutory auditors ("Collegio Sindacale") for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 43 of Legislative decree no. 136/15 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing Banca Progetto S.p.A. and its subsidiaries' ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the Bank or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, Banca Progetto S.p.A. and its subsidiaries' financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Banca Progetto S.p.A. and its subsidiaries' internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Banca Progetto S.p.A. and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Banca Progetto S.p.A. and its subsidiaries to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Banca Progetto S.p.A. and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Banca Progetto S.p.A. and its subsidiaries audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the measures taken to eliminate those threats or the safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 27 April 2018, the Bank's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2018 to 31 December 2026.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the Bank in conducting the statutory audit.

Banca Progetto S.p.A. and its subsidiaries
Independent auditors' report
31 December 2022

We confirm that the opinion on the consolidated financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10

The Bank's directors are responsible for the preparation of Banca Progetto S.p.A. and its subsidiaries' report on operations at 31 December 2022 and for the consistency of such report with the related consolidated financial statements and its compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the report on operations with Banca Progetto S.p.A. and its subsidiaries' consolidated financial statements at 31 December 2022 and its compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the report on operations is consistent with Banca Progetto S.p.A. and its subsidiaries' consolidated financial statements at 31 December 2022 and has been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Milan, 6 April 2023

KPMG S.p.A.

(signed on the original)

Alberto Andreini
Director of Audit

5

CONSOLIDATED
FINANCIAL
STATEMENTS
2022

REPORT OF THE BOARD OF STATUTORY AUDITORS

Report of the Board of Statutory Auditors

Banca Progetto S.p.A.

Registered office in Via Bocchetto 6, Milan

REPORT OF THE BOARD OF STATUTORY AUDITORS
ON THE FINANCIAL STATEMENTS AT 31 DECEMBER 2022
DRAWN UP PURSUANT TO ART. 2429 OF THE ITALIAN CIVIL CODE

To the Shareholders' Meeting of Banca Progetto S.p.A.

Introduction

This report provides the legal disclosures on the results of the supervisory activity pursuant to art. 2403 of the Civil Code and on the specific checks carried out on the financial statements for the year ended 31 December 2022, approved by the Board of Directors at the meeting on 29 March 2023, as well as on the consolidated financial statements at the same date.

To start with, we would remind you that the shareholders' meeting held on 28 April 2022 confirmed the appointment for the three-year period 2022-2024 of the members of the Board of Statutory Auditors, namely Marco Reboa as chairman, Laura Braga and Maurizio Parni as acting auditors and Gianluca Bolelli and Pietro Pagnozzi as alternate auditors.

The task of auditing the accounts was assigned to KPMG S.p.A. (KPMG), effective from 2018 until 31 December 2026.

This report was approved collectively and in good time for its filing at the Company's headquarters in the 15 days prior to the date of the first calling of the shareholders' meeting to approve the financial statements.

The format of this report is based on the provisions of the law and Rule no. 7.1. of the *"Rules of conduct of the board of statutory auditors - Principles of conduct of the board of statutory auditors of unlisted companies"*, issued by the National Council of Chartered Accountants and Accounting Experts (NCCAAE) and in force since 12 January 2021.

Introduction

The most important events that characterised the 2022 for the Bank include: a) the inspections by the Bank of Italy and the FIU that began at the end of 2021. They concluded with the identification of some critical areas, primarily in the anti-money laundering area in the organisation and control system; the Bank recognised that some corrective action would be useful, promptly taking steps to resolve the matters; b) following the issue in April 2022 of the "Supervisory expectations on climate and environmental risks", the Bank launched strategic initiatives were set out in the "Sustainability Plan" approved by the Board of Directors on 26 October 2022. This was subsequently developed in an implementation master plan with a three-year horizon, as requested by the Bank of Italy, which was approved by the Board of Directors in February 2023. c) on 21 December, the Board of Directors approved the budget and the risk appetite framework for 2023; in line with the strategic guidelines of the 2022-2024 business plan, it revised upwards the objectives in the Corporate segment, consolidating the growth path already undertaken as a specialised operator that makes extensive use of fintech solutions; d) at the end of December 2022, the majority shareholder BPL Holdco Sarl made a non-refundable payment towards a future increase in capital for a total of Euro 10 million to support the Bank's growth, which was higher than the 2022 budget estimates.

Having said this by way of introduction, with this report we explain the supervisory and control activity that we carried out during the year ended 31 December 2022, as required by art. 2429 second paragraph of the Italian Civil Code. We also make observations, within the scope of our responsibilities, on the financial statements and on the proposal for the allocation of the Bank's net profit at 31 December 2022 as formulated by the Board of Directors.

Supervisory activity performed

We met 32 times during the year to 31 December 2022. We also attended all meetings of the Board of Directors during the period, during which information was obtained on the trend of operations, as well as on the more significant transactions carried out by the Bank. During 2022, these meetings were held in compliance with the statutory, legislative and regulatory provisions governing their functioning. As a result, we can reassure you that the resolutions adopted at these meetings complied with the law and the articles of association, were not manifestly imprudent, risky or in potential conflict of interest or such as to compromise the integrity of the company's assets.

During the year, we monitored compliance with the law, regulations and the articles of association in compliance with the principles of correct administration. The activity carried out was inspired by the principles of conduct of the Board of Statutory Auditors recommended by the NCCAAE, also complying with the provisions issued by the Supervisory Authority.

In compliance with these regulations, also in relation to the reappointment of its members, the Board verified that each of them met the requirements of professionalism and integrity and that none of the causes of ineligibility, incompatibility and forfeiture envisaged by current legislation applied to any of them, with a view to guaranteeing the independence of the statutory auditor, in addition to ensuring that there were no impediments under the rules on interlocking appointments. Furthermore, we carried out our own self-assessment, from which no particular critical issues or significant operational or behavioural areas for improvement emerged.

In carrying out our activities, we met periodically with the heads of the internal control functions of the Bank (Internal Audit, Corporate Legal and Compliance, Risk) and with the head of the Finance Department. We examined the documents provided to us and carried out our own analyses and assessments, summarised in the minutes, which did not lead to the emergence of any elements that might cast doubt on compliance with the law, the articles of association and the principles of correct administration.

We expressed the opinions required of us by law and by our role; in particular, we expressed our opinion in favour of (i) the emolument for the office of Chief Executive Officer awarded to Paolo Fiorentino, (ii) the remuneration awarded to the Internal Auditor, (iii) the fees for the permitted activities other than auditing carried out by the KPMG network

We acknowledge that no complaints were filed pursuant to art. 2408 of the Civil Code during 2022.

The organisational, administrative and accounting structure of the Bank has continued to adapt to the current nature and dimensions reached by the activity, as well as to the need to pursue its corporate purpose, strategic objectives and operational requirements. In particular, we would like to highlight the following matters:

- the suppression of the Risk & Credits Department and the simultaneous reallocation of its activities to the newly established Risk Management Department, Corporate Credit Area and Credit Monitoring and Collection Area, all reporting to the Chief Executive Officer, thereby strengthening the role of the second level control function of Risk Management, also from an organisational point of view;
- the establishment of a Qualified Credit Committee, with the participation of an independent Director, as well as the current members of the Credit Committee;
- for the Outsourcer Organisation & Governance Department: establishment of the structure, taking on the related responsibilities;
- for the Corporate Division: introduction of the AML desk within the sales support team;
- the elimination of the Digital Bank Division and the simultaneous integration of the Digital Operations Department renamed Digital Operations & Bank Innovation Department.

During the course of our activities, we also turned our attention to the following matters in particular.

- During the year, we received the opinions written by the Independent Directors in relation to the related-party transactions "Faire Labs" and "Figure 11". We also participated in the work sessions of the Independent Directors as part of the activities concerning the “Faire Labs” transaction, concluding that it did not have any observations on the matter pursuant to the “Related-Party Transactions” regulation;
- We examined and expressed a favourable opinion on the communications of the Board of Directors dated 24 February 2022 and 27 July 2022 in response to requests from the Bank of Italy "Follow-up on the sustainability of the business model";
- With reference to the criminal proceeding no. 1704/21 in the RGNR (General Register of Crimes) - Banca Progetto/Spes S.p.A. - we sent a communication to the Bank of Italy

to inform the Authority on the more important aspects of the matter; this communication was followed by a request for information from the Supervisory Authority and we examined the Company's response and the Internal Audit function's audit report, making observations which were subsequently acknowledged.

Relations with the independent auditors

During the year, we exchanged information with the KPMG audit team on their work.

As part of the mutual exchange of data and information, the auditors did not report any acts or facts that might be considered reprehensible. They also reassured us that there were no significant aspects regarding the bookkeeping and the correct reporting of all transactions that might have required mentioning in this report.

Today we received KPMG's audit report as required by articles 14 of Legislative Decree 27 January 2010 39 and 10 of Regulation (EU) 537/2014, which was issued without highlighting any matters. On the same date, the independent auditors also issued their "Additional Report for the Internal Control and Audit Committee" referring to 2021 and the annual confirmation of independence drawn up on the basis of European Regulation no. 537/2014 pursuant to art. 11 and art. 6, paragraph 2), letter a).

Supervision of the financial statements

We have examined the separate and consolidated financial statements of Banca Progetto S.p.A. at 31 December 2022 as approved by the Board of Directors and delivered to us together with the documents that make them up within the terms of the law.

Given that the audit of the financial statements for legal purposes was not delegated to us, we supervised their general layout, their overall compliance with the law as regards its format and structure and, in this regard, we have no particular observations to make.

The separate and consolidated financial statements have been drawn up on the basis of IAS/IFRS. There were no events that required any of the derogations permitted by law.

The Explanatory Notes contain the declaration of compliance with the international accounting standards applied and indicate the main accounting policies adopted by the Bank, as well as supporting information for items in the Balance Sheet, Income Statement, Statement of Comprehensive Income, Statement of Changes in Net Equity and Cash Flow Statement.

The accounting policies and methods, as expressed in the accompanying documents and, in particular, in the Explanatory Notes to the financial statements, appear to be correct and adequate.

The Directors' Report explains the main events that characterised operations and the result for 2022 with an analysis of the financial situation, transactions with related parties and the outlook for operations. The document complies with current law and adequate information has been provided on the methods for measuring and managing risks, in particular, credit risk and operational risk.

As regards the extent to which the financial statements agree with the facts and information of which we became aware during the performance of our duties, we have no observations worthy of mention in this report.

As regards capital adequacy, it should be noted that the CET1 Capital Ratio, the Tier 1 Capital Ratio and the Total Capital Ratio stood at 16.74% at 31 December 2022 (19.9% at 31 December 2021). These capital adequacy ratios are higher than the minimum requirements set by the Bank of Italy. Please refer to the paragraph of the Financial Statements relating to capital adequacy for further details on this matter.

The financial statements show a net profit for the year of Euro 51,984,107.

***

Shareholders,

Given the above matters and taking into account the results of the work performed by the independent auditors as explained in their report on the financial statements, to which the Shareholders' Meeting is invited to refer, we do not find any impediments nor do we have any observations or proposals to make with regard to your approval of these financial statements. In consideration of the amount involved and the general capital situation of the Bank, we agree with the Directors' proposal to carry forward the net profit for the year of Euro 51,984,107.

Milan, 6 April 2023

Marco Reboa

Laura Braga

Maurizio Parni

Credits:
— Progetto: DEGW, L22 Ingegneria e Sicurezza | Lombardini22
— Fotografie: Dario e Carlos Tettamanzi