Banca Profilo

Annual Report

2021

ANNUAL FINANCIAL REPORT
AS AT 31 DECEMBER 2021

Banca Profilo S.p.A.

Registration in the Milan Company Register and VAT number 09108700155
Fully paid-up share capital of € 136,994,027.9
Member of the Deposit Protection Fund
Registered in the Register of Banks and belonging to the Banca Profilo banking group
Company subject to the Management and Coordination of Arepo BP S.p.A. pursuant to articles 2497 et seq. of the Italian Civil Code

Letter to shareholders

Dear Shareholders,

Although still characterised by the health emergency resulting from the COVID-19 pandemic, 2021 saw a significant recovery in the national (GDP +6.6%) and global (GDP +5.9%) economy. The financial markets recorded important gains, in particular Piazza Affari (+26%) driven by the success of the vaccination campaign and by the trust that politics and international investors have placed in the Italian government. In the bond sector there was an increase in volatility in the last part of the year and in particular in government bonds there was a marked rise in yields as a consequence of expectations of more aggressive monetary policies in the light of progressively increasing inflation.

In such a significant year, the Bank closed with a record consolidated net profit of € 11.7 million, an increase of € 3.0 million compared to the already extraordinary result of last year (+34.5%) and the main lines of economic results are above the targets set by the best case scenario of the 2020-23 Business Plan. The capital gain deriving from the sale of the Genevan subsidiary BPdG in the first half of 2021 contributed to the result. These results once again confirm the validity of the business model in generating positive and growing economic income, while maintaining a high capital strength with a CET1 ratio of 25.6%, among the highest in the entire Italian banking sector.

Net revenues amounted to approximately € 65.8 million (+13.9%) and operating income totalled € 16.8 million (+11.7%). These results allow the disbursement of a record dividend, based on the 2021 profits and including the advance already paid in November 2021, equal to € 0.022 per share. In addition, considering the high levels of capitalisation achieved, also thanks to the sale of the Swiss subsidiary, we propose, in a completely extraordinary way, the disbursement of an additional dividend from the earnings reserves of previous years, equal to € 0.009 per share. Therefore, the overall distribution is equal to € 0.031 per share, equivalent to a yield of approximately 15% on the average of the 2021 stock market prices.

The extreme satisfaction with which we present this financial report to you once again confirms the quality of the strategic decisions taken and the managerial actions carried out, instructed on the basis of the guidelines of the new 2020-23 Business Plan and based on the full involvement of each business area within our Group.

In the Private Banking segment, the Group increased customer deposits in 2021 to € 5.9 billion (+10.1%), also thanks to the resumption of the placement of alternative products and club deals. The strategy implemented has enabled Banca Profilo to establish itself as a recognised player specialised in exclusive financial products, de-correlated with financial market trends. Indeed, our traditional customers, family offices, entrepreneurs and professionals who are attentive to market dynamics and the evolution of macroeconomic scenarios are ever more interested, and the attractiveness for new customers interested in the diversification and complementarity that these products offer with respect to more traditional investments is increasing.

Investment banking activities recovered significantly, standing out in their reference market due to significant Capital Market transactions, realising some of the best-performing IPOs in the year. There was also a marked recovery in Corporate Finance with significant M&A and financing transactions, particularly in the area of loans guaranteed by the MCC Guarantee Fund (+96%).

The contribution of Finance was extremely positive in 2021, recording record results in the trading book, which caught the upward trend in the inflation rate and stock markets early, as well as in the banking book, which now benefits from high profitability and strong implicit capital gains. Although the Brokerage sector participated to a lesser extent than last year, the revenues generated by Finance (+5.3% y/y) contributed significantly to the Bank’s profitability, confirming once again the quality and professionalism of the operators who make up the structure.

The commitment to fintech continues with a view to safeguarding the opportunities offered by technological innovation and digital evolution. The partnership with Tinaba highlights a positive growth trend in the number of new users (+69% y/y) and users of the robo-advisor service, with net inflows in the year of € 19 million. The projects planned for 2022 are significant and are divided between product development and operational process automation, aiming to further increase the customer base and consistently evolve the ability to manage products and customers. The collaboration with MdotM, a start-up active in asset management through artificial intelligence algorithms, was strengthened, also through the subscription of the capital increase in the second half of the year. This has allowed Banca Profilo to be among the operators most exposed to an innovative and exclusive product, in the capacity of asset management based on machine learning algorithms.

Regarding the COVID-19 pandemic, the high level of adhesion to the vaccination campaign gives hope for a gradual improvement in the management of the effects of the contagion and therefore, for an expected recovery of the national and global economies. Unfortunately on the geo-political front, the early months of 2022 were characterised by the tragic events that occurred in Eastern Europe following the conflict initiated by Russia against Ukraine which had significant humanitarian and economic repercussions on a global scale. The strong tensions, still ongoing, between the two countries confront us with a social and macroeconomic scenario that is currently unpredictable, both as a result of the repercussions deriving from the sanctions applied against Russia, and the strong dependence of European countries, particularly Italy, on the supplies of raw energy materials from the countries involved in the conflict. Therefore, it is difficult today to predict the events of the coming weeks, but we are confident in the ability of international political diplomacy to find a solution that will lead to an end to the conflicts and thus to a victory for a sense of duty and the common good.

In this regard, it is worth noting that the Bank has no direct exposures to counterparties resident in these countries and that, from a careful assessment of the balance sheet assets and of the counterparties/customers with which we operate, no particularly critical indirect impacts are expected. The Bank will continue with constant monitoring of the geopolitical, macroeconomic and financial market aspects in order to detect any direct or indirect critical issues at an early stage so that it will be possible to identify the solutions.

With regard to the shareholding structure of the Bank, we note that, following the expiry of the duration of the Sator Private Equity Fund, discussions continue between the Parent Company Arepo BP and primary parties interested in acquiring a shareholding in the share capital of Banca Profilo with a view to its further development and efficiency.

In such a difficult context, the Bank's commitment is to continue to defend and increase the savings of its shareholders and customers, guaranteeing professionalism, commitment and ethical behaviour in the service of families and businesses.

Giorgio Di Giorgio
Chairman

Fabio Candeli
Chief Executive Officer

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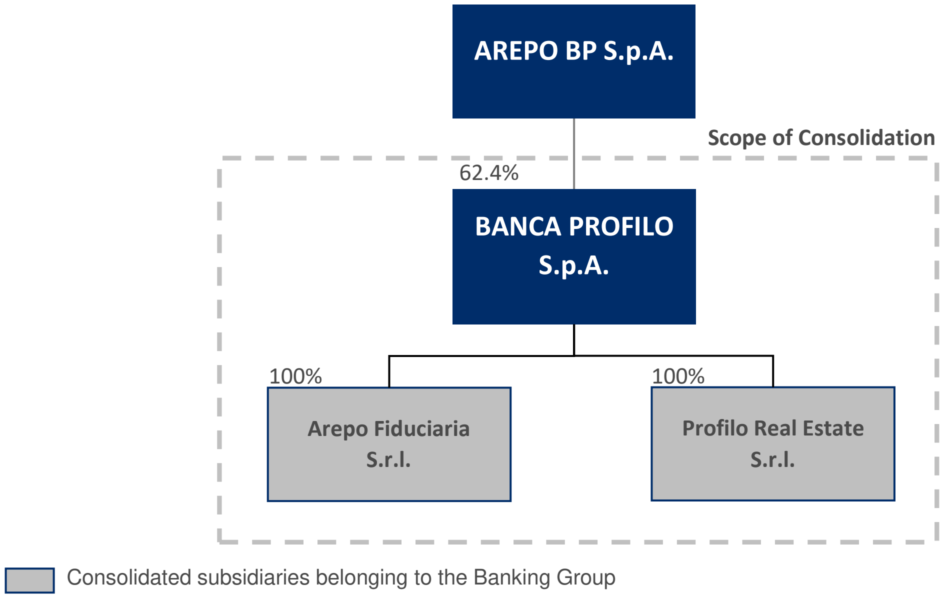
This PDF document, format does not fulfill the obligations deriving from Directive 2004/109/EC (the "Transparency Directive") and Delegated Regulation (EU) 2019/815 (the "ESEF Regulation" - European Single Electronic Format) for which a dedicated XHTML format has been prepared.

This report has been translated into the English language solely for the convenience of international readers.

BANCA PROFILO
CONSOLIDATED FINANCIAL STATEMENTS

Banking Group Structure and Scope of Consolidation



As at 31 December 2021, the **Banca Profilo Banking Group** consists of the Parent Company Arepo BP S.p.A., a financial holding company that does not carry out business with the public, and its subsidiaries pursuant to Art. 2359 of the Italian Civil Code.

All subsidiaries are part of the Banca Profilo Banking Group.

Banca Profilo prepares its Consolidated Financial Statements in accordance with IAS/IFRS and in compliance with the provisions of the Bank of Italy, including its Subsidiaries as indicated in the schedule, all **consolidated on a line-by-line basis**.

With respect to the 2020 Annual Financial Report, it should be noted that following the finalisation of the sale of the investment held by Banca Profilo in Banque Profil de Gestion SA, which took place on 1 June 2021, starting from that date the entities Banque Profil de Gestion SA and Dynamic Asset Management SA are no longer part of the Group.

The Parent Company Arepo BP is not included in the scope of consolidation of this Financial Report.

The Bank's Corporate Officers and Organisational Chart

Corporate Officers as at 31 December 2021

Board of Directors

Chairman	Giorgio di Giorgio
Deputy Chairman	Paola Antonia Profeta
Chief Executive Officer	Fabio Candeli
Directors	Francesca Colaiacovo*
	Giorgio Gabrielli*
	Gimede Gigante*
	Giovanni Maggi*
	Paola Santarelli*
	Maria Rita Scolaro

** Independent Directors*

Board of Statutory Auditors

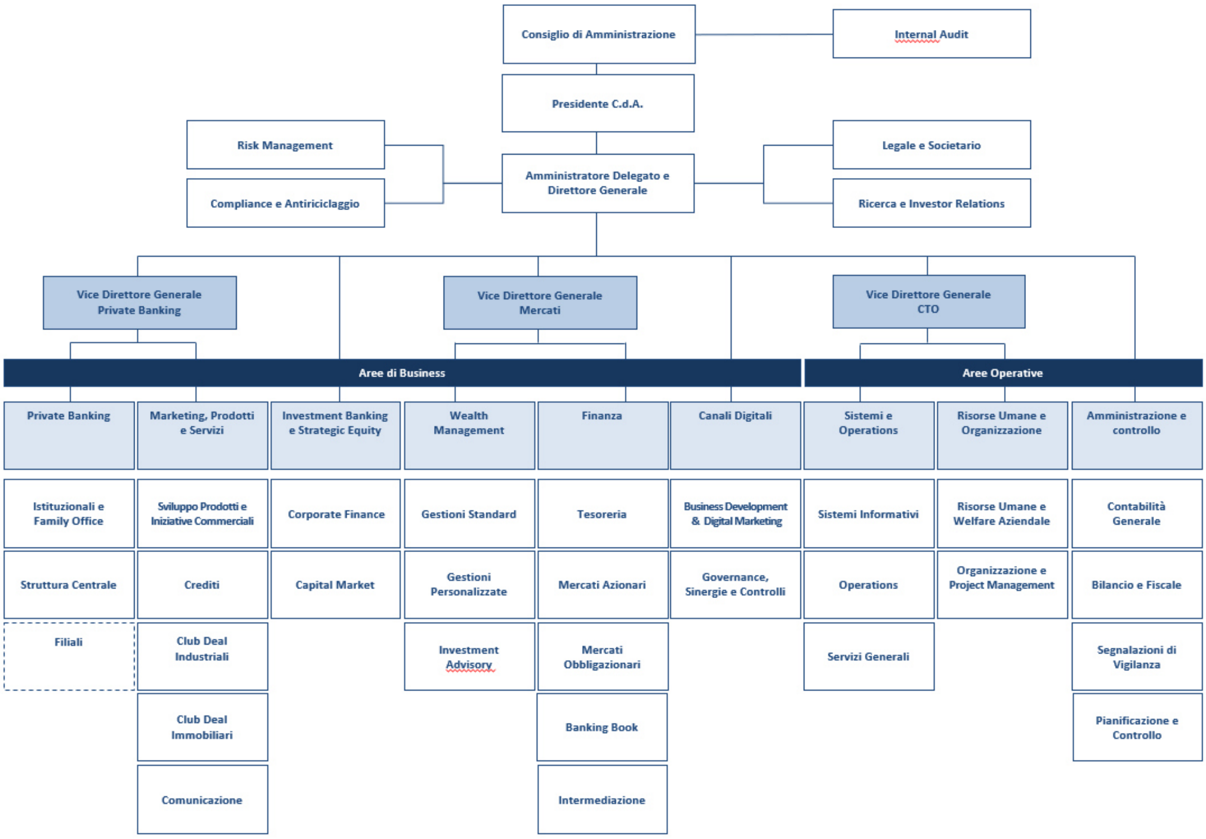
Chairman	Nicola Stabile
Standing Auditors	Gloria Francesca Marino
	Maria Sardelli
Alternate Auditors	Beatrice Gallì

Senior Management

General Manager	Fabio Candeli

Financial Reporting Officer	Giuseppe Penna
Independent Auditors	Deloitte & Touche S.p.A.

Organisational Chart as at 31 December 2021



Territorial organisation

Banca Profilo

Milan branch

Via Cerva, 28
20122 Milan
Tel: 02 58408.1
Fax: 02 58301590

Brescia branch

Corso Zanardelli, 32
25100 Brescia
Tel: 030 296611.1
Fax: 030 2966320

Turin branch

Via Davide Bertolotti, 2
10121 Turin
Tel: 011 551641.1
Fax: 011 5516404

Genoa branch

Salita Santa Caterina, 4
16123 Genoa
Tel: 010 53137.1
Fax: 010 584018

Reggio Emilia branch

Via Emilia San Pietro, 35
42121 Reggio Emilia
Tel: 0522 44141.1
Fax: 0522 441445

Rome branch

Via Carissimi, 41
00198 Rome
Tel: 06 69016.1
Fax: 06 69202354

Padua branch

Via San Francesco, 33 int.2
35121 Padua
Tel: 049 7306703

Italian subsidiaries

Profilo Real Estate S.r.l.

Via Cerva, 28
20122 Milan
Tel: 02/58408.1

Arepo Fiduciaria S.r.l.

Via Cerva, 28
20122 Milan
Tel: 02/58408.1

Highlights and Indicators

RECLASSIFIED INCOME STATEMENT FIGURES (in €/thousand)	**12 2021**	**12 2020**	**YoY change**	
			Absolute	**%**
Net interest income	17,381	14,211	3,170	22.3
Total net revenues	65,802	57,787	8,015	13.9
Operating income	16,777	15,020	1,757	11.7
Result before taxes	15,452	14,981	471	3.1
Result of discontinued operations	2,206	(1,036)	3,242	n.s.
Net profit (loss)	**11,713**	**8,709**	**3,004**	**34.5**

RECLASSIFIED BALANCE SHEET FIGURES (in €/thousand)	**12 2021**	**12 2020**	**YoY change**	
			Absolute	**%**
Financial Assets measured at fair value through profit and loss	380,091	409,668	-29,577	-7.2
Financial Assets measured at fair value through other comprehensive income	221,623	193,589	28,034	14.5
Financial assets measured at amortised cost	948,183	777,440	170,743	22.0
Hedging derivatives	1,444	405	1,039	256.5
Total Assets	**1,666,674**	**1,846,388**	**-179,714**	**-9.7**
Direct funding	985,108	950,282	34,826	3.7
Indirect funding	4,130,609	3,636,515	494,094	13.6
- of which assets under management	790,095	633,160	156,935	24.8
- of which assets under custody	3,340,514	3,003,355	337,159	11.2
Total funding	**5,115,717**	**4,586,797**	**528,920**	**11.5**
Net Fiduciary Funding	742,655	733,482	9,173	1.3
Total Fiduciary funding	**5,853,474**	**5,320,278**	**533,196**	**10.0**
Total funding – Activities Abroad	**-**	**2,568,353**	**-2,568,353**	**-100.0**
Group shareholders' equity	163,854	176,466	-12,612	-7.2

RISK ASSETS AND CAPITAL RATIOS	**12 2021**	**12 2020**	**YoY change**	
			Absolute	**%**
Total Own Funds (in thousands of euro)	151,316	156,373	(5,057)	-3.2
Risk-weighted assets (in thousands of euro)	590,095	694,539	(104,444)	-15.0
CET1 capital ratio %	25.6%	22.3%	3	
Total capital ratio %	25.6%	22.5%	3	

OPERATING STRUCTURE	**12 2021**	**12 2020***	**YoY change**	
			Absolute	**%**
Number of employees and collaborators	186	211	(25)	-11.9
- of which Private Bankers	32	39	(7)	-18.0
Number of branches	7	7	0	0.0

(*) = the number of employees and collaborators of Banque Profil de Gestion at the end of 2020 was 33, of which 4 were bankers

Main consolidated indicators

PROFITABILITY INDICATORS (%)	12 2021	12 2020	YoY change Absolute
Net interest income/Net revenues	26.4	24.6	1.8
Net fee and commission income/Net revenues	43.0	36.5	6.4
Cost/Income	74.5	74.0	0.5
R.O.A.E.	6.9	5.1	1.8
R.O.A.	0.7	0.4	0.3

BALANCE SHEET INDICATORS (%)	12 2021	12 2020	YoY change Absolute
Direct funding/Loans and advances to customers	111.4	140.2	-28.8
Loans and advances to customers/Total Assets	52.8	36.7	16.1
Financial assets measured at fair value/Total Assets	36.2	32.7	3.5
Shareholders' equity/Loans and advances to customers	18.6	26.0	-7.4

INFORMATION ON BANCA PROFILO SHARE (figures in units of euro)	12 2021	12 2020	%
Diluted earnings per share (EPS) - on average number of shares - on current operations	0.014	0.014	0.0
Diluted earnings per share (EPS) - on average number of shares - on profit for the year attributable to the parent company	0.018	0.013	37.9
Shareholders' equity per share	0.242	0.260	-6.9
Share price of Banca Profilo share at year-end	0.214	0.212	0.9
Share price of Banca Profilo share during the year:			
- average	0.221	0.194	14.1
- low	0.202	0.126	59.9
- high	0.255	0.248	2.6
Shares issued at the end of the period (number)	677,997,856	677,997,856	0.0

Note: the figures relating to earnings per share and shareholders' equity per share are consolidated and consider only the Group's share.
Profitability indicators are calculated on the reclassified income statement amounts
Cost/Income = total operating expenses/total net revenues.
R.O.A.E. = return on average equity for the year.
R.O.A. = return on average assets for the year.
Shareholders' equity per share is calculated as the ratio of Group shareholders' equity to the number of shares issued at the end of the period

Consolidated Report on Operations

Reference Macroeconomic Scenario and Commentary on Markets

Macroeconomic scenario

According to the latest OECD data (OECD Economic Outlook, December 2021), **after a rebound of 5.9% in 2021 (the figure estimated in September was 5.7%), the global economy is expected to grow by 4.5% in 2022, to then settle at 3.2% in 2023. However, growth continues to be uniform, not only by geographical area but also by economic sector.** At geographical level, the growth path of emerging markets continues to diverge, penalised by low levels of vaccination, while at sector level, manufacturing continues to be impacted by the shortage of raw materials and labour and by the significant increase in costs. Compared to the September report, the growth estimates for the Eurozone have been revised slightly downwards which, after +5.2% in 2021 (the figure estimated in September was 5.3%), should result in growth of 4.3% in 2022 (4.6% previously) and 2.5% in 2023. **For the Italian economy, on the other hand, GDP estimates have been revised upwards. After the +6.6% growth certified by Istat in 2021, the OECD expects growth of 4.6% in 2022** (+0.5%) and 2.6% in 2023.

As regards inflation, **the consumer price index continues to accelerate, driven by various contributing causes.** The persistence of supply chain bottlenecks, rising energy costs, labour shortages and the rebalancing towards higher average wages are all contributing to price pressures. **In the euro area, headline inflation went from -0.3% year-on-year in December 2020 to 5.0% in December 2021**, while in the United States the December CPI marked a 7.0% increase in prices compared to the same period of 2020. The OECD has thus revised its inflation estimates, which are expected to have peaked in the fourth quarter of 2021. It now estimates that inflation in the OECD bloc, after 4.9% in 4Q-21, will drop to 3.4% at the end of 2022, and to 3.1% at the end of 2023.

Now that the economic recovery is underway and in light of accelerating inflation, central banks have gradually begun to adopt a less accommodative monetary policy stance. In several emerging countries, following the high levels of inflation, central banks have already intervened with the first rate hikes. The People's Bank of China went against the trend and announced that it had reduced the 1-year rate on medium-term loans by 10 basis points, to 2.85%. This move follows GDP data which highlighted a slowdown in growth in the second half of 2021, also due to the effects of the real estate market crisis and the zero tolerance policy against COVID. Among the developed economies, however, the first increase has already been observed in the United Kingdom (increase of 15 basis points to 0.25%) and, in the first half of 2022, it should also materialise in the United States where the Fed, while anticipating a "significant drop" in prices in 2022, expects at least three interest rate hikes for this year. A more accommodating approach from the ECB, which will start reducing government bond purchases from March 2022 when the PEPP expires. For the moment, no interventions on interest rates are expected.

Financial markets

On the financial markets, **the MSCI All Country World index, representative of global equities, posted a gain of 19% in the calendar year.** Buoyed by economic resilience, accommodative central bank policies and large fiscal expansion plans in both the US and Europe, equity investors posted double-digit gains. However, the trend was significantly uniform by geographical area. The markets of developed countries, such as Europe (+25% the Stoxx Europe 600) and the United States (+31% the S&P 500), outperformed global equities, while the markets of emerging countries, also thanks to the economic implications of low levels of vaccination in some countries, recorded mainly negative performances. The case of China is unique (-4.9% on the CSI 300 index), with the economic intervention from the Beijing government, and then the crisis in the real estate sector, acting as a constant brake on equities. It was a particularly positive year for Piazza Affari (+26%), driven by the success of the vaccination campaign and by the trust that politics and international investors have placed in the Italian government.

On the bond front, it was a negative year overall, but with diverging performances for each sector. **In the government sector, there was a marked rise in yields** as a consequence of expectations of more aggressive monetary policies in the light of progressively increasing inflation. In the United States, the 10-year Treasury yield went from 0.91%

at the end of 2020 to 1.51% at the end of 2021. On the other hand, the movement recorded by the 2-year Treasury is steeper, passing from 0.12% at the end of 2020 to 0.73% at the end of 2021, with a consequent steepening of the curve. In Europe, the benchmark yield, that of the 10-year Bund, went from -0.57% to -0.18%, while the 10-year BTP went from 0.54% to 1.17%. Corporate bonds outperformed the government sector, in the wake of an environment of increased risk appetite that rewarded high yield issues.

It was a record year on the **commodity market.** With an overall gain of 37% (S&P GSCI index), they ranked as the best performing asset class of 2021. Energy was the best performing component of the index, driven by progressively rising oil and natural gas prices (Brent rose from $51.8 per barrel at the end of 2020 to $77.8 per barrel at the end of 2021, +50%). Other commodities, both agricultural and industrial, also performed excellently. In addition to the sharp cyclical increase in demand for natural resources, there were other factors supporting prices. First and foremost, the logistical bottlenecks that have often interrupted the supply chains of raw materials and semi-finished products, creating an imbalance between supply and demand and consequently an increase in prices.

In the currency market, **the dollar closed the year with a strong appreciation** (Dollar Index + 6.3%), favoured at the beginning of the year by expectations of an economic recovery from the pandemic crisis more rapid and robust than elsewhere and in recent months by expectations of a faster-than-previously expected path of monetary policy normalisation. Consequently, **the EUR depreciated against the USD, from 1.22 to 1.12**, suffering the greater strength of the US recovery and the greater aggressiveness of the Fed.

Developments in the Private Banking sector

Private Banking in Italy has characteristics of significant heterogeneity. The private divisions of the large domestic and foreign banking groups coexist with specialised boutiques, characterised by organisational structures and commercial policies far apart from each other.
However, for some time now, an attempt has been underway to analyse the sector at an aggregate and unitary level, mainly through the research activities of the Italian Private Banking Association (Associazione Italiana Private Banking - AIPB). In this sense, efforts are aimed at on the one hand quantifying the size of the so-called "potential private market", conventionally represented by the stock of financial assets held by parties with securities in excess of € 500 thousand (the so-called "High net worth households"), and on the other hand at analysing the penetration of the potential market by operators focused on the provision of private banking services (the so-called "private served market").
As far as the first line of research is concerned, for 2021 the main figures released show a growth in the potential market compared to the value recorded the previous year. The value of the financial wealth of high net worth households is in fact estimated at the end of 2021 at € 1,245 billion (new historical record) compared to € 1,180 billion in 2020 (+5.5%), a change attributable both to the favourable performance of the markets (+2.0%) and the positive contribution of net funding (+3.5%). These resources refer to 670 thousand households.
During the year, the value of wealth entrusted to structures focused on private banking (served market), also increased, reaching € 1,005 billion in September 2021. The potential market share of private banking structures is therefore 80.7%, the highest since the research was conducted. The potential market for generalist structures, just under a fifth of the total, remains significant and continues to represent the main development opportunity for focused institutions.
In terms of composition of funding, at the end of September 2021 managed funding in private portfolios increased compared to the previous year (from 38% to 40%) at the expense of direct funding (from 17% to 15%). Administered funding (22%) and insurance funding (23%) were stable.

Developments in the Asset Management Sector

The year 2021 was decidedly positive for the Italian asset management industry. Net inflows jumped forward reaching € 23 billion in the fourth quarter (€ 18 billion in the third quarter) and closed 2021 at € 93 billion, driven by mutual funds (€ 65 billion). Assets under management reached a new historical record of € 2,594 billion. Of the € 23 billion of total funding in the fourth quarter, around € 16 billion went into collective management and € 7 billion into portfolio management. The excellent performance of open-ended funds, with inflows of € 12.8 billion, should be noted.

Going into the details of the collection of open-ended funds, the instruments favoured by investors were equity funds, which recorded inflows of € 6.9 billion followed by balanced funds with investments of almost € 5 billion. Bonds and flexibles recorded inflows of € 2 billion. Monetary funds (-€ 3.1 billion) and hedge funds (-€ 61 million) closed the fourth quarter of 2021 in the red. With regard to the nationality of open-ended funds, the result for the fourth quarter was achieved thanks to the contribution of foreign-law partnerships which achieved inflows of € 9.8 billion. The products under Italian law, on the other hand, are close to € 3 billion.

Asset management continues to grow in Italy. In December 2021, the industry raised € 7.8 billion, bringing the overall balance of net inflows from the beginning of the year to € 92 billion.

Assets under management reached a new all-time high of € 2,583 billion, thanks to the combined effect of funding and management activities. The main portion of assets, equal to € 1,340 billion (equal to 51.9% of the total), is used in open and closed-end funds. Investments in portfolio management amounted to € 1,242 billion. Italian savers have directed their preferences in particular on bond funds (+€ 3.1 billion), on equities (+€ 1.4 billion) and on balanced funds (+€ 1 billion).

The regulatory context and the main changes required

During 2021, numerous new Italian and international laws and regulations came into force, with reference to which the main issues are set out below.
On 13 January 2021, Consob extended for a further three months, from 14 January 2021 to 13 April 2021, the transitional regime of enhanced transparency on changes in significant shareholdings and disclosure of investment objectives for companies with particularly a large shareholder base (as defined by article 120 of the Consolidated Law on Finance - TUF). In particular, the transitional enhanced transparency regime provides for: a) the addition of a threshold of 1%, compared to the pre-existing one of 3%, as the minimum threshold upon exceeding which the obligation to disclose to the market, through Consob, of the participations acquired in listed companies with high capitalisation, is triggered; for SMEs, on the other hand, the 3% threshold is added before the 5% threshold; b) the addition of a threshold of 5%, as opposed to the 10%, as the first threshold above which the obligation to disclose to the market, through Consob, the "declaration of intentions" (i.e. the investment objectives for the following six months), is triggered for acquired participations.
In the Official Journal of the European Union of 27 January 2021, the Commission Delegated Regulation (EU) 2021/70 of 23 October 2020 (amending the Delegated Regulation (EU) 2018/1229) was published with reference to the entry into force with regard to the regulatory technical standards on the discipline of the regulation. The entry into force, previously scheduled for February 2021, has been postponed to 1 February 2022.
On 10 February 2021, Circular no. 2 was published with which the Italian Revenue Agency provided the first clarifications on the subject of cross-border mechanisms subject to mandatory disclosure as required by Italian Legislative Decree no. 100 of 30 July 2020 implementing Directive (EU) 2018/822 (DAC 6).
On 16 February 2021, Consob published Warning Notice no. 1/21. The notice, which is linked to the support measures and the impacts of the COVID-19 emergency, concerns the disclosures to be made: (i) by supervised issuers, supervisory bodies and audit firms in relation to the 2020 financial statements prepared in accordance with international accounting standards; ii) by companies that publish 2020 non-financial statements; iii) by issuers with listed shares and by supervisory bodies at shareholders' meetings for resolutions on share capital; iv) by those responsible for preparing offer documents and prospectuses; v) by issuers subject to the rules of the MAR.
On 25 February 2021, the ESAs published a Supervisory Statement on the implementation of Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (hereinafter "SFDR"). The supervisory statement seeks to mitigate the risk of divergent application of the SFDR, which applies from 10 March 2021, in relation to the application date of the regulatory technical standards (RTS) on the content, methodologies and presentation of disclosures under the SFDR. As stated by the European Commission in a letter sent to the ESAs on 20 October 2020, in terms of substance, the application of the Regulation is not conditional on the formal adoption and entry into force or application of the regulatory technical standards as it lays down at Level 1 general principles of the sustainability-related disclosures. Consequently, even if the ESAs, in order to provide financial market operators and financial advisors with sufficient time to collect the necessary information and adapt their practices to the specific requirements of the RTS, and in order to align the application of the RTS with the amendments to Regulation (EU) 2020/852 (Taxonomy Regulation - TR), had proposed in their draft RTS to delay the application of the RTS to 1 January 2022, this will not affect the application of the SFDR. Therefore,

as most of the sustainability-related disclosure provisions set out in the SFDR apply from 10 March 2021, the ESAs recognise the desirability of using specific guidelines for national competent authorities, financial market participants and financial advisors in the intermediate period before the application of the RTS.

On 1 March 2021, the EBA published new guidelines on risk factors relating to money laundering and terrorist financing and on the measures to be taken in situations where simplified and enhanced customer due diligence measures are appropriate, pursuant to articles 17 and 18(4) of the IV Anti-Money Laundering Directive (EU Directive 2015/849). The guidelines replace the joint guidelines originally adopted by the three European Supervisory Authorities in June 2017, and became applicable 3 months after the publication of the official versions in all EU languages.

On 11 March 2021, the Consob press release was published concerning the simplification for the training and professional updating of the personnel assigned to provide financial information or advice to savers. Starting from April, intermediaries will be required to evaluate how to set up the most suitable internal organisational processes to ensure quality training and professional updating for their employees. All the safeguards provided for by the European MiFID II legislation, regarding the knowledge and competence of personnel, aimed at ensuring the protection of customers in terms of information transparency, remain unchanged. On the basis of the new regulatory framework, in force since 31 March 2021, the evaluation of the training and professional updating methods of the subjects engaged in financial advice is entrusted to the intermediaries themselves and no longer to a prescriptive detailed discipline. In this way, Consob intends to allow greater flexibility of the organisational safeguards of each intermediary on the basis of the principle of proportionality. Finally, certain requirements for advice on insurance investment products are maintained. The amendments to article 78, paragraph 2, of the Intermediaries Regulation made by the resolution are applicable to staff members who begin to operate after the entry into force of this resolution. For staff members who started working before the resolution came into force, the provisions of articles 79, paragraphs 2 to 11 and 80, of the regulation implementing Italian Legislative Decree no. 58 of 24 February 1998, on the subject of intermediaries, adopted with resolution no. 20307 of 15 February 2018, in the previous version, continue to apply.

Commission Implementing Regulation (EU) 2021/451 of 17 December 2020 laying down implementing technical standards for the application of Regulation (EU) no. 575/2013 of the European Parliament and of the Council with regard to supervisory reporting of institutions and repealing Implementing Regulation (EU) no. 680/2014, was published in the Official Journal of the European Union of 19 March 2021. The Regulation lays down uniform reporting formats and templates, instructions and methodology for the use of those templates, the frequency and dates of reporting, definitions and IT solutions for reporting by institutions to their competent authorities in accordance with Article 415, paragraphs 3 and 3 bis, of Regulation (EU) no. 575/2013 and Article 430, paragraphs 1 to 4, 7 and 9 of that regulation.

On 27 May 2021, Consob published a notice regarding the guidelines issued by ESMA concerning the “Reporting of securities financing transactions (SFTs) pursuant to articles 4 and 12 of the SFTR”, which provide operational information on implementation of the reporting and transparency provisions, collection and storage of data referred to in articles 4 and 12 of SFTR and related implementing provisions. In particular, Consob, in accordance with the provisions of paragraph 3 of the aforementioned article 16 of the ESMA Regulation, informed the European Authority of its intention to comply with the guidelines in question.

The Official Journal of the European Union of 9 June 2021 published Commission Delegated Regulation (EU) 2021/923 of 25 March 2021, supplementing Directive 2013/36/EU of the European Parliament and of the Council, with regard to regulatory technical standards establishing the criteria for defining managerial responsibilities, control functions, the relevant business/company unit and the significant impact on the risk profile of the business/company unit in question, and the criteria for identifying those members of staff or categories of staff whose professional activities have an impact on the risk profile of the institution that is comparatively as significant as that of the categories of staff referred to in article 92 (3) of the aforementioned Directive.

On 1 June 2021, the EBA published the Final Report containing the revised guidelines on major incident reporting under the Payment Services Directive (PSD2). The revised guidelines optimise and simplify the reporting process and templates, focusing on incidents that have a significant impact on payment service providers (PSPs) and improving the meaningfulness of the information to be reported. In particular, the revised guidelines introduce changes to some of the original classification criteria and introduce a new criterion relating to the “breach of the security of network or information systems”, the scope of which was restricted by the previous “breach of safety measures". This new criterion focuses on malicious actions that have compromised network or information systems relating to the provision of payment services and would allow the reporting of further security incidents, which could be of interest to the supervisory authorities. In addition, to reduce the reporting burden on PSPs, the EBA has removed unnecessary steps from the reporting process, allowing more time for the submission of the final report. The EBA also simplified and optimised the standardised reporting template. The guidelines apply from 1 January 2022; the official translation of the guidelines was published in the third quarter of 2021.

On 2 July 2021, the Bank of Italy issued an update to its Supervisory Provisions on the corporate governance of banks (Circular no. 285/2013 and subsequent amendments). The amendments, which have undergone public consultation, are aimed at strengthening the governance structures of Italian banks and taking into account changes to European guidelines (CRD V Directive and EBA Guidelines). The changes include the introduction of a minimum gender quota of 33% in the administrative and control bodies of banks, to be implemented within different timescales depending on the size of the banks. The new provisions also include raising the asset threshold for the definition of a bank of "smaller size or operational complexity" from € 3.5 to € 5 billion. The changes introduced also affect other aspects: they include among them the issues of decisions of strategic importance on certain matters (Fintech; environmental, social, and governance factors - ESG; funding policies); they require the adoption of ethical standards for all staff; they strengthen certain control mechanisms; and they envisage the adoption of policies for managing dialogue between directors and shareholders. Finally, banks are required to comply with a specific provision of CRD V regarding loans to officers and their related parties. Banks adapt within 6 months of the provisions coming into force. At the same time, the EBA and ESMA also published the Final Reports on the Guidelines relating to the assessment of the suitability of the members of the management body and the holders of key functions, internal governance and remuneration policies to take into account changes introduced by CRD V; the guidelines (the translations of which were then published in September and October 2021) apply from 31 December 2021 but national regulations implementing European regulations prevail.

On 13 July 2021, Consob published a notice in which it indicates its compliance with the guidelines on outsourcing to cloud service providers issued by ESMA, incorporating them into its supervisory practices. The guidelines, published in the official languages of the Union on 10 May 2021, provide recommendations on the identification, management and monitoring of risks deriving from agreements for the outsourcing of activities and services to cloud service providers and will be applicable from 31 July 2021 to all outsourcing agreements to cloud service providers entered into or renewed from that date.

The Official Journal no. 176 of 24 July 2021 published the IVASS Provision no. 111 of 13 July 2021, which (i) sets out the provisions regarding the criteria and methodologies to be used to identify and assess money laundering risk and (ii) partially modifies Provision no. 44/2019. The Measure (which is limited to operations in the life business) applies to insurance intermediaries, insurance companies and insurance intermediaries established without branches as well as to secondary offices of companies with registered office in another EU Member State, an EES country or a third country. The insurance intermediaries (in the first application) adapt to the provisions starting from 1 January 2022.

On 15 September 2021, the EBA published guidelines specifying the criteria for assessing exceptional cases in which institutions exceed the large exposure limits referred to in article 395 (1) of Regulation (EU) no. 575/2013, as well as the period and the measures for returning to compliance pursuant to article 396, paragraph 3, of Regulation (EU) no. 575/2013. In particular, the guidelines specify, in accordance with the mandate referred to in article 396, paragraph 3, of Regulation (EU) no. 575/2013, the criteria that competent authorities should apply to assess the exceptional cases provided for in article 396, paragraph 1 of the same regulation, and when a competent authority should allow an institution to exceed the limits set out in article 395, paragraph 1, of the aforementioned regulation. The guidelines also define the criteria that competent authorities should apply in order to establish the appropriate period for an institution to return to compliance with the large exposure limits set out in article 395, paragraph 1 of Regulation (EU) no. 575/2013, as well as the measures to be taken to ensure the timely return to compliance with the limits in question, and also specify the additional information that should be transmitted to the competent authority when reporting a breach of large exposure limits in accordance with article 396, paragraph 1, of Regulation (EU) no. 575/2013. The aforementioned guidelines (the translation of which into Italian was published in the following months) apply from 1 January 2022.

On 24 November 2021, the Bank of Italy published a further update of Circular no. 285 of 17 December 2013 "Supervisory Provisions for Banks". In particular, this update replaces Chapter 2 of Part One, Title IV, of the Circular, which contains the supervisory provisions on remuneration and incentive policies and practices in banks and banking groups. The amendments are aimed at implementing the changes introduced by CRD V (directive 2019/878/EU) on this matter and the guidelines of the European Banking Authority for the implementation of the directive (EBA/GL/2021/04). The provisions: i) apply to banks and parent companies of banking groups, which must adapt to them within the timeframe and according to the procedures established in Section VII of the provisions themselves. Until full compliance to the latter, they continue to comply with the established Bank of Italy Provision of 23 October 2018 (25th update of the Bank of Italy Circular no. 285/2013); ii) do not apply to SIMs and parent companies of SIM groups, which (until the adoption of the national legislation transposing the DFI (Directive 2019/2034 / EU) continue to comply with what is established by the Bank of Italy Provision of 23 October 2018 (25th update of the Circular of the Bank of Italy no. 285/2013), by virtue of the reference contained in the Bank of Italy Regulation of 5 December 2019 (Part 2, Title IV, Article 17). The new provisions entered into force on the fifteenth day following their publication in the Official Gazette of the Italian Republic.

Italian Legislative Decree no. 184 of 8 November 2021 (implementing Directive (EU) 2019/713 of the European Parliament and Council of 17 April 2019 on combatting fraud and counterfeiting of non-cash means of payment and replacing Council Framework Decision 2001/413/JHA) was published in Official Journal no. 284 of 29 November 2021. The decree entered into force on 14 December 2021. The aforementioned provision envisages changes to both the Italian Criminal Code and Italian Legislative Decree 231/2001 regarding the administrative liability of entities. As a result of the decree, an entity could be held liable, for the purposes of 231/01: a) for the commission of the crime of "Undue use and falsification of credit or payment cards" (article 493-ter of the Italian Criminal Code) and sentenced to pay a fine ranging from 300 to 800 shares; b) the crime of "Possession and dissemination of equipment, devices, computer programs aimed at committing crimes concerning non-cash payment instruments" (article 493-quater of the Italian Criminal Code) and sentenced to pay a fine of 500 shares; c) for the crime of "IT fraud" pursuant to article 640-ter of the Italian Criminal Code (as supplemented by Italian Legislative Decree 184/2021) and sentenced to pay a fine of 500 shares.

Significant events

Appointment of the Board of Directors and the Board of Statutory Auditors

The shareholders' meeting of 22 April 2021 appointed the new members of the Board of Directors and of the Board of Statutory Auditors in office for the three years expiring with the approval of the financial statements as at 31 December 2023. For details on the appointments, please refer to the section "Corporate Officers and Organisation Chart of the Bank" of this Report.

Sale of the investment in Banque Profil de Gestion

On 1 June 2021, following the obtainment of the authorisation by FINMA, the closing of the transaction announced on 10 February 2021 was finalised, which on the one hand envisages the purchase by Banque Profil de Gestion SA (BPDG) of 100% of the capital of One Swiss Bank (OSB) and at the same time, the disposal by Banca Profilo of all the shares held in BPDG to the current shareholders of OSB.

The transaction price for the share in BPDG held by Banca Profilo, taking into account the dividends already distributed in April (amounting to € 4.4 million in favour of Banca Profilo), the capital increase resulting from the exercise of stock options by the beneficiary personnel as well as the price adjustments set forth in the agreement signed on 9 February 2021, amounts to 31.8 million Swiss francs (€ 28.9 million), for a cash consideration of 31.2 million Swiss francs (€ 28.4 million), an amount already net of the indemnities paid by Banca Profilo to cover specific costs or potential risks.

The completion of the transaction, and therefore the de-consolidation of the subsidiary, generated a gain on the disposal on the closing date in the consolidated financial statements, net of the indemnities recognised, for an amount of € 2.3 million, classified according to IFRS 5 under item 320 of the Income Statement "Profit/(Loss) from discontinued operations net of taxes"; an Income Statement item that also includes, among other things, the loss recorded by the subsidiary in the first 5 months of 2021 equal to approximately € 0.1 million. For more details on these impacts, please refer to "Part C – Section 22" of the Explanatory Notes.

Bank of Italy inspection

On 18 February 2020, **a periodic inspection by the Bank of Italy** of the Banca Profilo Group was launched, focused on (i) profitability and business model, (ii) governance and control system, (iii) operational risks, and (iv) compliance with legislation on the fight against money laundering and terrorist financing. Due to the health emergency and the lockdown measures, the inspection activity was interrupted as per communication dated 5 May 2020. On 5 October 2020, a new inspection was launched concerning the first three focuses indicated above. The inspection lasted until the end of February 2021. On 9 June 2021, Banca Profilo and the Parent Company Arepo BP received the inspection report without any imposition of sanctions. The main findings concerned the business model and the bank's profitability also in consideration of the expected change in the ownership structure given the imminent expiry of the Sator Private Equity Fund. On 3 August 2021, the Board of Directors of the Bank[1] approved the disclosure and sent the Bank of Italy on 6 August 2021 its counter-arguments and remedial actions with the relative implementation timelines.

8.82% increase in the investment in MdotM S.p.A.

As part of the initiatives envisaged in the Bank's three-year Business Plan, the inclusion of new activities was envisaged, particularly in the Fintech sectors, aimed at closing the technological gap with respect to new entrants in the financial sector, greater differentiation with respect to traditional direct competitors, and improving the Group's cost income or compliance with regulations.

With this in mind, the Board of Directors of 17 June 2021 approved the strengthening of the strategic partnership with MdotM S.r.l. (a company that develops investment strategies using artificial intelligence) through an increase in the Bank's shareholding in the latter's capital by subscribing to the share capital increase initiated by the company during the first three quarters of 2021, for a maximum payment of € 1.5 million.

The capital increase closed at € 6.17 million in September 2021. The subscription by the Bank for € 1.5 million resulted in an increase in ownership from 5% to 8.82% of the company's share capital.

[1] The Board of Directors of the Parent Company called to approve the same document on 4 August 2021.

Interim dividend on 2021 economic results

In light of the economic and equity results achieved, and also thanks to the extraordinary components deriving from the sale of the Swiss subsidiary, as well as taking into account the lack of recommendations expressed by the competent Authorities on the subject of dividends, the Board of Directors of 4 November 2021, having ascertained the existence of all the conditions envisaged by law, resolved the distribution of an interim dividend based on the economic results of Banca Profilo S.p.A. for 2021. The approved dividend is equal to € 0.016 per share for an amount of approximately € 10.4 million. Comparing the unit amount to the reference price recorded on 3 November 2021, a dividend yield of 7.5% emerged. The dividend was paid on 24 November 2021.

Certificate Issue

During the first quarter of 2021, following Consob's approval of the Base Prospectus in December 2020, the Bank placed a Certificate Bonus Cap, maturing in March 2022, for € 4.9 million. The certificate is listed on the MTF SeDeX market of the Italian Stock Exchange.

Basis of Preparation

The Consolidated Financial Statements are prepared in accordance with the **IAS/IFRS** issued by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) approved by the European Commission at the reporting date for which no exceptions have been made.

The consolidated operating results are shown in the body of the report in condensed reclassified form, providing the intermediate profit margins up to the net profit for the year. The income statement figures for the year (1 January 2021 – 31 December 2021) are compared with those for the previous year (1 January 2020 – 31 December 2020).

On 29 October 2021, the 7th update of Circular no. 262 of the Bank of Italy was released - Bank financial statements: compilation formats and rules. The purpose of the update is to align, as far as possible, financial reporting to harmonised European consolidated supervisory financial reports (FINREP). The main changes concern, for the Banca Profilo Group, the representation in the financial statements of certain categories of financial assets (in particular, on-demand loans from banks and central banks), intangible assets, detailed information on commission income and expense, contributions to the resolution fund and deposit guarantee schemes. The comparative figures have been restated for a better comparison with those of 2021.

Any reclassifications and aggregations performed compared to the mandatory annual financial statements required by Bank of Italy Circular no. 262 of 22 December 2005 and subsequent updates are provided at the foot of the reclassified consolidated Balance Sheet and Income Statement.

The scope of consolidation was determined with reference to IFRS 10.

Financial Year Highlights and Operating Performance

At 31 December 2021, **Banca Profilo and its subsidiaries** closed the year with a record **net profit of € 11.7 million (+34.5% year-on-year)**, an increase of € 3.0 million compared to the result for the previous year, including the capital gain from the sale of BPdG equal to € 2.3 million. The results, all showing positive growth, confirm the validity of the business model in generating positive and growing economic results while maintaining a high equity strength.

As a result of the finalisation of the **sale of the investment held by Banca Profilo in Banque Profil de Gestion SA**, which took place on 1 June 2021, Banque Profil de Gestion SA and its subsidiary Dynamic Asset Management SA are not included in the Group's scope of consolidation at 31 December 2021. The figures at 31 December 2021 include the contribution to the Income Statement recorded by the Swiss subsidiary in the first five months of 2021 and, having met the conditions envisaged by IFRS 5 "Non-current assets held for sale and discontinued operations", the income statement figures attributable to the Activities Abroad segment have been represented as a Discontinued Operation and are classified, together with the profit deriving from the sale, under the item "Profit/(loss) from discontinued operations after tax". Therefore, unless otherwise indicated, the comments below do not consider the contribution deriving from the subsidiary Banque Profil de Gestion, even in the comparative figures, which are instead highlighted in the paragraph "Consolidated results by operating segment", specifically in the comment on "Activities Abroad".

Total administered and managed funding, including Net Fiduciary Funding, amounted to **€ 5.9 billion** (+10.1% year-on-year), up by approximately € 0.6 billion compared to € 5.3 billion at 31 December 2020, due to both the market effect and positive net funding for the period on private customers, and despite the exit of some significant institutional custody positions with zero profitability. **Direct funding** increased by € 29.9 million, from € 950.3 million last year to € 985.1 million at 31 December 2021, the latter including direct funding from the issue of the first Bonus Cap certificate carried out in the first quarter of 2021. **Indirect funding**, excluding Net Fiduciary Funding, increased by € 0.5 billion, from € 3.6 billion at 31 December 2020 to € 4.1 billion at 31 December 2021 (+13.6%). Internally, there is an increase in **assets under custody** for € 0.3 billion (+11.2%), as well as **assets under management** for € 0.2 billion (+24.8%).

MAIN CONSOLIDATED BALANCE SHEET FIGURES (in €/thousand)	12 2021	12 2020	YoY change Absolute	%
Direct Funding Italy (1)	**985,108**	**950,282**	**34,826**	**3.7**
Indirect Funding Italy	**4,130,609**	**3,636,515**	**494,095**	**13.6**
- of which assets under management	790,096	633,160	156,936	24.8
- of which assets under custody	3,340,514	3,003,355	337,159	11.2
Total Direct and Indirect Funding Italy	**5,115,717**	**4,586,797**	**528,921**	**11.5**
Net Fiduciary Funding	742,655	733,482	9,173	1.3
Total Customer funding	**5,853,474**	**5,320,278**	**538,094**	**10.1**
Total Fiduciary Funding	1,152,756	1,133,399	19,357	1.7
Funding - Activities Abroad	**-**	**2,568,353**	**-2,568,353**	**-100.0**
- of which Direct funding	-	235,079	-235,079	-100.0
- of which Indirect funding	-	2,333,274	-2,333,274	-100.0
Loans and advances to customers	**880,287**	**677,862**	**202,425**	**29.9**
- of which interest-bearing loans and advances to customers	319,124	269,262	49,863	18.5
- of which HTC Securities	347,489	294,636	52,853	17.9
- of which other loans and advances to customers	213,673	113,964	99,709	87.5
Loans and advances to customers - Activities Abroad	-	**58,615**	**-58,615**	**-100.0**

(1) = the figure includes direct funding from the issue of the first Bonus Cap Certificate, the fair value of which at the end of December was € 4.9 million

Total net revenues at 31 December 2021 amounted to € 65.8 million (+13.9%), up by € 8.0 million compared to € 57.8 million the previous year.
The **net interest income** at the end of 2021 was € 17.4 million (+22.3%), an increase compared to the € 14.2 million of the previous year. The increase is mainly linked to the greater contribution deriving from the banking book and from the new loans guaranteed by the MCC Guarantee Fund, launched in the last year.
Net fee and commission income amounted to € 28.3 million, an increase compared to the 2020 figure (+33.9%). The result was achieved thanks to the increase in all items, both of a recurring nature due to the increase in assets under management and in consultancy, and of a transactional nature thanks to the resumption of the placement of club deals and investment banking activities.
Net income from financial activities and dividends, equal to € 19.6 million, is down by € 2.2 million (-10.0%) compared to the € 21.7 million of the previous year. The decrease is mainly attributable to the trading book, which recorded lower realisations in 2021 (-€ 7.0 million) partly offset by higher dividends (+€ 4.8 million) than in 2020. The balance of **other operating income and expenses**, equal to € 0.6 million, is down compared to the figure as at 31 December 2020 (-18.7%), due to higher charges with customers.

The aggregate of **operating costs** amounted to € 49.0 million, up compared to € 42.8 million in 2020 (+14.6%). The increase is mainly attributable to personnel and administrative expenses, in line with the results achieved, the investments envisaged in the Business Plan for the implementation of new commercial initiatives and for the Bank's digitalisation and automation process. Internally, **personnel expenses** increased by € 3.9 million, from € 24.9 million in 2020 to € 28.8 million in 2021 (+15.7%). The increase is mainly attributable to the greater provision relating to the 2021 variable components and to the new resources entered during the year.
Other administrative expenses, net of charges aimed at maintaining the stability of the banking system reclassified under a specific item, amounted to € 17.9 million in 2021 and increased by € 2.3 million compared to 2020. The increase is mainly attributable to the higher costs associated with the Bank's digitisation plan, in relation to the IT migration project of the Finance platform, the digitisation of the private banking processes, the development of digital channels, as well as advertising costs. **Value adjustments on fixed assets**, equal to € 2.3 million, increased by € 0.1 million compared to those of the previous year, following the investments in the aforementioned projects.

The **operating result**, equal to € 16.8 million (+11.7%), is up by € 1.8 million compared to 2020, equivalent to a cost income of 74.5%, which is compared with 74.0% last year.[1]

Net allocations for risks and charges are positive for € 77 thousand and refer to the release of previous net allocations made by the Group following disputes being resolved during the year, together with the net effect found in the impairment on the guarantees issued and on the credit lines granted.

Net adjustments and write-backs for credit risk relating to financial assets measured at amortised cost and on financial assets measured at fair value through comprehensive income as at 31 December 2021, amounted to € 1,274 thousand of net adjustments. The figure as at 31 December 2020 was € 298 thousand of net adjustments. In the year 2021 there were net adjustments of € 1,298 thousand on limited impaired credit positions, € 88 thousand on the securities portfolio and net reversals of € 112 thousand on performing loans. However, it should be noted that the Bank's loan portfolio, consisting mainly of Lombard loans, is characterised by exposures with large levels of guarantees which, despite the market volatility, have not undergone significant fluctuations in credit risk and related guarantees, and is substantially immune to the effects of the health emergency caused by the COVID-19 pandemic.

The **value adjustments of goodwill** at 31 December 2021 amounted to € 128 thousand, down on the previous year figure of € 148 thousand (-13.7%) and refer to the goodwill deriving from the acquisition of the "lending and custody" business unit and asset management in the financial years 2003 and 2004.

Profit before tax amounted to € 15.5 million (+3.1%), an increase compared to € 15.0 million in 2020.

Taxes for the year, net of those calculated on charges aimed at maintaining the stability of the banking system reclassified in a specific item, amounted to € 5.1 million, equivalent to a tax rate on profit from current operations of 33.0%.

The item **charges relating to the banking system** includes contributions aimed at maintaining the stability of the banking system (Resolution Funds and Interbank Deposit Protection Fund) shown net of tax and is equal to €0.9 million, in line with the figure of the previous year. The amount essentially consists of the **ordinary and additional contributions** to **the Single Resolution Fund** for the year 2021, equal to € 1.2 million before taxes.

The **Groups of assets held for sale**, representative of the Activities Abroad Business Unit, showed a profit of € 2.2 million. The item is made up for € 2.3 million of the profit from the sale deriving from the de-consolidation of the Swiss subsidiary carried out on 1 June 2021, net of the indemnities paid to the purchasing counterparty, and for € 0.1 million of net loss registered by the Swiss bank in the first five months of 2021. At 31 December 2020 the same item showed a net loss of € 1 million, of which € 0.4 million pertaining to minority interests.

Banca Profilo and its subsidiaries closed the 2021 financial year with a **consolidated net profit** of € 11.7 million, an increase of € 3.0 million (+34.5%) compared to the year 2020 and higher than the profit net forecast in the best scenario of the Business Plan for the same period. Net of the capital gain realised on the sale of the Swiss subsidiary for € 2.3 million, the increase in net profit was 8.1%.

[1] Cost income = total operating expenses/total net revenues

Reclassified Consolidated Income Statement

Consolidated income statement items (amounts in €/thousand)	2021	2020	Changes	
			Absolute	%
Net interest income (1)	17,382	14,211	3,171	22.3
Net fee and commission income (2)	28,269	21,107	7,162	33.9
Net result from financial activities and dividends (3)	19,556	21,738	-2,182	-10.0
Other operating income/expense (4)	595	732	-137	-18.7
Total net revenues	**65,802**	**57,787**	**8,015**	**13.9**
Personnel expense	(28,793)	(24,878)	-3,915	15.7
Other administrative expenses (5)	(17,898)	(15,629)	-2,269	14.5
Value adjustments on intangible assets and property, plant and equipment	(2,334)	(2,260)	-74	3.3
Total operating expenses	**(49,025)**	**(42,767)**	**-6,258**	**14.6**
Operating income	**16,777**	**15,020**	**1,757**	**11.7**
Net provisions for risks and charges	77	407	-330	-81.1
Net value adjustments/reversals for credit risk relating to financial assets measured at amortised cost	(1,181)	(315)	-866	275.3
Net value adjustments/reversals on financial assets measured at fair value through other comprehensive income	(93)	17	-110	-662.8
Value adjustments to goodwill	(128)	(148)	20	-13.7
Profit (loss) for the year before tax	**15,452**	**14,981**	**471**	**3.1**
Tax on income for continuing operations (6)	(5,103)	(4,746)	-357	7.5
Charges relating to the banking system (net of taxes) (7)	(930)	(901)	-29	3.2
Profit (loss) for the year after tax	**9,419**	**9,334**	**-85**	**0.9**
Profit/(loss) from discontinued operations after tax (8)	2,206	(1,036)	3,242	n.s.
(Profit)/Loss for the year attributable to non-controlling interests	88	411	-323	-78.6
Parent Company's profit/(loss) for the year	**11,713**	**8,709**	**3,004**	**34.5**

(1) coincides with item 10. Interest Income and 20. Interest Expense (Bank of Italy Circular 262).
(2) includes Items 40. Fee and commission income and 50. Fee and commission expense in the mandatory annual financial statements (Bank of Italy Circular 262). From a management perspective, the item "Fee and commission income" shows the portion of the profitability of the product that remunerates the placement activity carried out by the Bank for the issue of its Certificates, included in accounting item 80 "Net result from financial activities" for an amount of € 61 thousand. The item also discounts commission reimbursements of € 0.4 million reclassified from the operational point of view under the item "other operating income and expenses".
(3) includes Items 70. Dividends and similar income, 80. Net profit/(loss) from trading, 90. Net profit/(loss) from hedging, 100. Profit/(loss) from disposal/repurchase and 110. Net profit/(loss) from other financial assets and liabilities measured at fair value through profit and loss in the mandatory annual financial statements (Bank of Italy Circular 262). The item discounts the portion of the profitability of the product that remunerates the placement activity carried out by the Bank for the issue of its Certificates, for an amount of € 61 thousand, reclassified on a management basis to "Net fee and commission income".
(4) coincides with Item 230. Other operating expenses/income (Bank of Italy Circular 262) included under Operating expenses in the mandatory annual financial statements, net of the recovery of stamp duty payable by Customers (for € 4.3 million) and the imbalance of income and expenses deriving from the Tinaba/Banca Profilo partnership agreement (net expenses of € 0.4 million), reclassified from an operational point of view under the item "Other administrative expenses", as well as net of the indemnities paid to the buyers of Banque Profil de Gestion (expenses of € 0.5 million) reclassified from an operational point of view under the item "Profit/(Loss) from discontinued operations after tax". This item also includes commission reimbursements for € 0.4 million from the management item "net commissions".
(5) includes item 190 b) Other administrative expenses shown net of the recovery of stamp duty charged to customers (for € 4.3 million) and Gross charges relating to the banking system (for € 1.4 million), the latter reclassified for management purposes under the item "Charges relating to the banking system net of taxes". This item also includes the imbalance of income and expenses deriving from the Tinaba/Banca Profilo partnership agreement (net expenses of € 0.4 million) deriving from the management item "Other operating income (expenses)".
(6) coincides with Item 300. "Income taxes for the year of current operations" of the mandatory annual financial statements (Bank of Italy Circular 262), net of the tax effect on Charges relating to the banking system (for € 0.4 million) reclassified for management purposes under the item "Charges relating to the banking system (net of taxes)".
(7) includes charges aimed at maintaining the stability of the banking system (for € 1.4 million) classified in the accounts under item 190 b) Other administrative expenses and shown net of the tax effect (for € 0.4 million) accounted for under item 300. Tax on income for the year for continuing operations.
(8) includes the consolidated net result of the subsidiary BPdG, reclassified under this item in accordance with IFRS 5, as well as for financial year 2021 the result deriving from its sale, equal to € 2.85 million, classified under item 320. Profit/(loss) from discontinued operations net of taxes in the mandatory financial statements (Bank of Italy Circular 262). The indemnities paid to the purchasing counterparty, equal to € 0.5 million, classified under item 230, are also reclassified here. Other operating income/expense.

Reclassified Consolidated Income Statement by Quarter

Items (amounts in €/thousand)	4th quarter 2021	3rd quarter 2021	2nd quarter 2021	1st quarter 2021	4th quarter 2020
Net interest income (1)	5,437	4,141	3,889	3,915	2,647
Net fee and commission income (2)	9,692	6,662	6,961	4,954	6,458
Net result from financial activities and dividends (3)	2,127	5,404	4,232	7,793	8,444
Other operating income/expense (4)	(319)	303	357	254	74
Total net revenues	**16,937**	**16,510**	**15,439**	**16,916**	**17,623**
Personnel expense	(8,411)	(7,660)	(6,525)	(6,197)	(8,639)
Other administrative expenses (5)	(5,352)	(4,101)	(4,219)	(4,226)	(4,904)
Value adjustments on intangible assets and property, plant and equipment	(547)	(608)	(608)	(571)	(571)
Total operating expenses	**(14,310)**	**(12,369)**	**(11,352)**	**(10,994)**	**(14,113)**
Operating income	**2,627**	**4,141**	**4,087**	**5,922**	**3,510**
Net provisions for risks and charges	11	95	43	(72)	112
Net value adjustments/reversals for credit risk relating to financial assets measured at amortised cost	(523)	(113)	(634)	89	48
Net value adjustments/reversals on financial assets measured at fair value through other comprehensive income	(1)	(26)	(31)	(35)	15
Value adjustments to goodwill	(128)	-	-	-	(148)
Profit for the year before tax	**1,986**	**4,097**	**3,465**	**5,904**	**3,536**
Tax on income for the year for continuing operations (6)	(396)	(1,350)	(1,232)	(2,125)	(1,300)
Charges relating to the banking system (net of taxes) (7)	(53)	(26)	(220)	(631)	(52)
Profit for the year after tax	**1,537**	**2,721**	**2,013**	**3,148**	**2,185**
Profit/(loss) from discontinued operations after tax (8)	-	-	2,878	(672)	395
(Profit)/Loss for the year attributable to non-controlling interests	-	-	(215)	303	(149)
Parent Company's profit/(loss) for the year	**1,537**	**2,721**	**4,676**	**2,779**	**2,431**

(1) coincides with item 10. Interest Income and 20. Interest Expense (Bank of Italy Circular 262).
(2) includes Items 40. Fee and commission income and 50. Fee and commission expense in the mandatory annual financial statements (Bank of Italy Circular 262). From a management perspective, the item "Fee and commission income" shows the portion of the profitability of the product that remunerates the placement activity carried out by the Bank for the issue of its Certificates, included in accounting item 80 "Net result from financial activities" for an amount of € 61 thousand. The item also discounts commission reimbursements of € 0.4 million reclassified from the operational point of view under the item "other operating income and expenses".
(3) includes Items 70. Dividends and similar income, 80. Net profit/(loss) from trading, 90. Net profit/(loss) from hedging, 100. Profit/(loss) from disposal/repurchase and 110. Net profit/(loss) from other financial assets and liabilities measured at fair value through profit and loss in the mandatory annual financial statements (Bank of Italy Circular 262). The item discounts the portion of the profitability of the product that remunerates the placement activity carried out by the Bank for the issue of its Certificates, for an amount of € 61 thousand, reclassified on a management basis to "Net commissions".
(4) coincides with Item 230. Other operating expenses/income (Bank of Italy Circular 262) included under Operating expenses in the mandatory annual financial statements, net of the recovery of stamp duty payable by Customers (for € 4.3 million) and the imbalance of income and expenses deriving from the Tinaba/Banca Profilo partnership agreement (net expenses of € 0.4 million), reclassified from an operational point of view under the item "Other administrative expenses", as well as net of the indemnities paid to the buyers of Banque Profil de Gestion (expenses of € 0.5 million) reclassified from an operational point of view under the item "Profit/(Loss) from discontinued operations after tax". This item also includes commission reimbursements for € 0.4 million from the management item "net commissions".
(5) includes item 190 b) Other administrative expenses shown net of the recovery of stamp duty charged to customers (for € 4.3 million) and Gross charges relating to the banking system (for € 1.4 million), the latter reclassified for management purposes under the item "Charges relating to the banking system net of taxes". This item also includes the imbalance of income and expenses deriving from the Tinaba/Banca Profilo partnership agreement (net expenses of € 0.4 million) deriving from the management item "Other operating income (expenses)".
(6) coincides with Item 300. "Income taxes for the year of current operations" of the mandatory annual financial statements (Bank of Italy Circular 262), net of the tax effect on Charges relating to the banking system (for € 0.4 million) reclassified for management purposes under the item "Charges relating to the banking system (net of taxes)".
(7) includes charges aimed at maintaining the stability of the banking system (for € 1.4 million) classified in the accounts under item 190 b) Other administrative expenses and shown net of the tax effect (for € 0.4 million) accounted for under item 300. Tax on income for the year for continuing operations.
(8) includes the consolidated net result of the subsidiary BPdG, reclassified under this item in accordance with IFRS 5, as well as for financial year 2021 the result deriving from its sale, equal to € 2.85 million, classified under item 320. Profit/(loss) from discontinued operations net of taxes in the mandatory financial statements (Bank of Italy Circular 262). The indemnities paid to the purchasing counterparty, equal to € 0.5 million, classified under item 230, are also reclassified here. Other operating income/expense.

Commentary on the Consolidated Balance Sheet Figures

The balance sheet performance of the Bank and its subsidiaries during 2021 is illustrated below with reference to the main aggregates which, listed in the underlying table, are compared with those of the previous year. All the amounts in the tables are in thousands of euro.

Main consolidated balance sheet figures

(€/thousand)	31/12/2021	31/12/2020	Changes	
			Absolute	%
Financial assets measured at fair value through profit and loss	380,091	409,668	-29,577	-7.2
Financial assets measured at fair value through other comprehensive income	221,623	193,589	28,034	14.5
Financial assets measured at amortised cost - Loans and advances to banks	67,896	99,578	-31,682	-31.8
Financial assets measured at amortised cost - Loans and advances to customers	880,287	677,862	202,425	29.9
Hedging derivatives	1,444	405	1,039	256.5
Total Assets	**1,666,674**	**1,846,388**	**-179,714**	**-9.7**
Financial liabilities measured at amortised cost - Deposits from banks	337,622	267,260	70,362	26.3
Financial liabilities measured at amortised cost - Deposits from customers	980,210	950,282	29,928	3.2
Financial liabilities held for trading	97,313	110,536	-13,223	-12.0
Hedging derivatives	52,399	32,693	19,706	60.3
Group shareholders' equity	**163,854**	**176,466**	**-12,612**	**-7.2**

Assets

Banca Profilo and its subsidiaries have total **consolidated assets** of **€ 1,666.7 million**, down 9.7% from € 1,846.4 million at 31 December 2020.

As detailed in the table below, the performance of the aggregate financial assets and hedging derivatives increased year-on-year by € 170.2 million (-12.3%).

Financial assets and hedging derivatives

(€/thousand)	31/12/2021	31/12/2020	Changes	
			Absolute	%
Financial assets measured at fair value through profit and loss	**380,091**	**409,668**	**-29,577**	**-7.2**
Financial assets held for trading	380,091	409,630	-29,539	-7.2
Other financial assets mandatorily measured at fair value	-	38	-38	-100.0
Financial assets measured at fair value through other comprehensive income	**221,623**	**193,589**	**28,034**	**14.5**
Financial assets measured at amortised cost	**948,183**	**777,440**	**170,743**	**22.0**
Loans and advances to banks	67,896	99,578	-31,682	-31.8
Loans and advances to customers	880,287	677,862	202,425	29.9
Hedging derivatives	**1,444**	**405**	**1,039**	**256.5**
Total	**1,551,341**	**1,381,102**	**170,239**	**12.3**

Financial assets measured at fair value through profit and loss decreased by € 29.6 million, from € 409.7 million at 31 December 2020 to € 380.1 million at 31 December 2021 (-7.2%).

Financial assets measured at fair value through other comprehensive income increased by € 28.0 million, from € 193.6 million at 31 December 2020 to € 221.6 million at 31 December 2021 (+14.5%).

Financial assets measured at amortised cost are divided into **loans and advances to banks,** which decreased by € 31.7 million from € 99.6 million at 31 December 2020 to € 67.9 million at 31 December 2021, and **loans and advances to customers,** which increased by € 202.4 million from € 677.9 million at 31 December 2020 to € 880.3 million at 31 December 2021.

Hedging derivatives, equal to € 1.4 million, increased by € 1.0 million compared to € 0.4 million recorded at 31 December 2020. The amount refers entirely to Banca Profilo.

Loans and advances to banks

(€/thousand)	31/12/2021	31/12/2020	Changes	
			Absolute	%
Time deposits	6,768	6,966	-198	-2.8
Reverse repurchase agreements	12,464	36,526	-24,061	-65.9
Other loans	39,364	39,701	-337	-0.9
Debt securities measured at amortised cost (HTC)	9,300	16,385	-7,086	-43.2
Loans and advances to banks	**67,896**	**99,578**	**-31,682**	**-31.8**

Loans and advances to banks include: *i*) time deposits **equal to € 6.8 million**; *ii*) **repurchase agreements** equal to € 12.5 million; *iii*) **other loans** equal to € 39.4 million, of which the most significant amount is due to deposits made by Banca Profilo to guarantee derivative transactions, based on agreements with institutional counterparties; *iv*) securities classified in the category of Held To Collect for € 9.3 million.

Aggregate **loans and advances to customers** came to **€ 880.3 million** at 31 December 2021, an increase of € 202.4 million (+29.9%) compared with 31 December 2020.

Loans and advances to customers

(€/thousand)	31/12/2021	31/12/2020	Changes	
			Absolute	%
Current accounts	228,883	217,201	11,682	5.4
Mortgages	89,760	51,436	38,324	74.5
Interest-bearing loans and advances to customers	**318,643**	**268,638**	**50,005**	**18.6**
Non-performing assets	5,683	931	4,752	510.2
Total loans and advances to customers	**324,326**	**269,569**	**54,757**	**20.3**
Debt securities measured at amortised cost (HTC)	347,491	294,638	52,853	17.9
Deposits to guarantee transactions in derivatives, repurchase agreements, other transactions	208,470	113,655	94,815	83.4
Other loans and advances to customers	**555,961**	**408,293**	**147,668**	**36.2**
Loans and advances to customers	**880,287**	**677,862**	**202,425**	**29.9**

The balance of private **current accounts** went from € 217.2 million at 31 December 2020 to € 228.9 million at 31 December 2021 (+5.4%); the balance of **mortgages** at 31 December 2021 also increased to € 89.8 million (+74.5%) compared to € 51.4 million at 31 December 2020, thanks also to the new disbursements guaranteed by the MCC Guarantee Fund made in the year by the Bank for approximately € 27.8 million **HTC securities**, consisting mainly of Italian government securities, amounted to € 347.5 million at 31 December 2021, an increase from € 294.6 million at 31 December 2020. Other guarantee deposits, repos and other transactions went from € 113.7 million at 31 December 2020 to € 208.5 million at 31 December 2021. **Impaired assets,** equal to € 5.7 million, increased by € 4.8 million compared to the figure at 31 December 2020, following reclassifications to probable defaults, attributable to a limited number of lending positions.

Equity investments in subsidiaries at 31 December 2021 were consolidated on a line-by-line basis. The main figures relating to the consolidated companies, acquired from the respective reporting packages produced for these consolidated financial statements, are shown below.

Equity investments in subsidiaries

Company name (€/thousand)	Registered office	Total assets	Shareholders' equity (1)	Profit (loss) for the year	Type of relationship (2)	Shareholding relationship	
						Investing company	%
A. Companies consolidated line-by-line							
1. Profilo Real Estate S.r.l.	Milan	48,001	26,348	613	1	Banca Profilo S.p.A.	100.00
2. Arepo Fiduciaria S.r.l.	Milan	2,662	540	207	1	Banca Profilo S.p.A.	100.00

Key

(1) Including the result for the year.

(2) Type of relationship

1 = majority of voting rights at ordinary shareholders' meetings

The aggregate of **tax assets** amounted to **€ 3.4 million** at 31 December 2021. The amount is mainly due to **deferred tax assets,** which amounted to € 2.6 million, down from € 2.7 million at 31 December 2020. The overall increase in tax assets recorded during the year is attributable to the increase in current tax assets (€ 0.2 million) due to the higher IRES and IRAP advances paid during the year. The probability of recovery of deferred tax assets has been assessed on the basis of the profit outlook, and for the portion of deferred tax assets arising from the valuation of the securities portfolio measured at fair value through other comprehensive income, however, recovery by maintaining possession of the securities is considered reasonable.

Liabilities

The balance of **financial liabilities measured at amortised cost** increased by € 100.3 million, going from € 1,217.5 million at 31 December 2020 to € 1,317.8 million at 31 December 2021 (+8.24%). The balance consists of € 337.6 million in deposits from banks and € 980.2 million in deposits from customers.

Deposits from banks

(€/thousand)	31/12/2021	31/12/2020	Changes	
			Absolute	%
Deposits from central banks	89,458	175,816	-86,359	-49.1
Current accounts and demand deposits	7,463	11,874	-4,411	-37.1
Repurchase agreements	231,744	65,901	165,843	251.7
Other	8,957	13,668	-4,711	-34.5
Deposits from banks	**337,622**	**267,260**	**70,362**	**26.3**

Deposits from banks stood at € 337.6 million at 31 December 2021 an increase of € 70.3 million from € 267.3 million at 31 December 2020. The change is mainly due to the combined effect of an increase in repurchase agreements for € 165.8 million, offset by a decrease in ECB loans of € 86.4 million, reciprocal current accounts of € 4.4 million and collateral deposits for derivative transactions for € 4.7 million.
Deposits from Central Banks at 31 December 2020 referred to monetary policy transactions aimed at long-term refinancing, carried out with the European Central Bank through participation in the PELTRO (Pandemic Emergency Longer-Term Refinancing Operations) for € 79.7 million, TLTRO III (Targeted Longer-Term Refinancing Operations) for € 81.1 million and to short-term transactions to optimise Banca Profilo's liquidity position for € 15.0 million. At 31 December 2021, only the TLTRO-III loan remains in existence while the other loans have been repaid. With reference to the TLTRO-III loan, it should be noted that in December 2021 Banca Profilo made the early repayment of the amount received with the fourth auction and participated in the tenth auction, collecting € 89.5 million.

Customer funding

(€/thousand)	31/12/2021	31/12/2020	Changes	
			Absolute	%
Current accounts	638,645	681,658	-43,013	-6.3
Repurchase agreements and other loans	307,967	251,329	56,638	22.5
Other payables	33,598	17,295	16,303	94.3
Deposits from customers	**980,210**	**950,282**	**29,928**	**3.2**
Certificates issued	4,898	0	4,898	100.0
Customer funding	**985,108**	**950,282**	**34,826**	**3.7**

Deposits from customers at 31 December 2021 amounted to **€ 985.1 million**, up € 34.8 million (+3.7%) compared to € 950.3 million at 31 December 2020. The increase is mainly due to repurchase agreement positions, which increased by € 56.6 million, going from € 251.3 million at 31 December 2020 to € 308.0 million at 31 December 2021 (22.5%). Other payables also increased by € 16.3 million, while the balance of current collection accounts decreased by € 43.0 million. Direct funding also includes the contribution from the issue of the first Bonus Cap certificate, carried out in March 2021, classified in accounting terms under tax liabilities held for trading.

Financial **liabilities held for trading** at 31 December 2021, net of the fair value of the certificate issued by the Bank in March 2021, amounted to **€ 92.4 million**, down by € 18.1 million compared to € 110.5 million at 31 December 2020. The aggregate is attributable entirely to Banca Profilo and includes the balance of negative valuations of derivative trading transactions in addition to the balance of "technical overdrafts".

Hedging derivatives went from € 32.7 million at 31 December 2020 to € 52.4 million at 31 December 2021 (60.3%). The hedging derivatives refer only to the parent company Banca Profilo and hedge the changes in fair value deriving from the interest rate risk on bonds in the HTC and HTC&S portfolio.

Tax liabilities at 31 December 2021 amounted to € 2.4 million, an increase of € 0.1 million compared to the previous year.

The **consolidated shareholders' equity of the group** at 31 December 2021, including the profit for the year of **€ 11.7 million** and the interim dividend of € 10.5 million distributed in November 2021 by the Parent Company Banca Profilo, amounts to **€ 163.9 million.**

The composition of shareholders' equity is summarised in the following table:

Shareholders' equity

(€/thousand)	31/12/2021	31/12/2020	Changes	
			Absolute	%
Share capital	136,994	136,994	0	0.0
Share premium	82	82	0	0.0
Reserves	29,383	34,432	-5,049	-14.7
Interim dividends	(10,472)	0	-10,472	100.0
Valuation reserves	1,788	2,036	-248	-12.2
Treasury shares	(5,634)	(5,787)	153	-2.6
Profit/(loss) for the year	11,713	8,709	3,004	34.5
Group shareholders' equity	**163,854**	**176,466**	**-12,612**	**-7.2**
Non-controlling interests	**-**	**19,739**	**-19,739**	**-100.0**
Shareholders' equity	**163,854**	**196,205**	**-32,351**	**-16.5**

At 31 December 2021, the consolidated phased-in CET 1 Capital Ratio is equal to 25.64% and fully loaded is equal to 25.58% and does not include the profit for the year 2021 and consequently the related "interim dividend on the current year profits" paid in November 2021.

Below are the tables of the Own Funds and the table relating to the capital adequacy of the Bank and its subsidiaries at 31 December 2021 determined on the basis of the regulatory standards required for banking supervision.

Own funds

On 1 January 2014, the new regulatory standards for banking supervision (Basel III), as defined by the Basel Committee, came into force. These new standards are contained in Regulation (EU) no. 575/2013 (CRR) and in Directive 2013/36/EU (CRD IV) of 26 June 2013. In order to make these provisions applicable, the Bank of Italy introduced two regulatory measures to adapt internal regulations to the new international regulatory framework (Circular 285 and Circular 286 of December 2013).

In addition, from 1 January 2018 IFRS9 "Financial Instruments" replaces the provisions of IAS 39 "Financial Instruments: Recognition and Measurement". In this regard, with reference to the impact on regulatory own funds, the Banca Profilo Banking Group has opted to adhere to the transitional regime provided for by Regulation (EU) no. 2017/2395 amending the CRR.

1. Common Equity Tier 1 (CET1)

a) **positive elements**: equity instruments and related share premiums, retained earnings, other components of the income statement and other reserves;

b) **negative elements**: losses relating to the current year, intangible assets with specific deduction rules, common equity tier 1 capital instruments held that the bank is obliged to purchase, deferred tax assets that are based on future profitability and do not result from temporary differences and qualifying holdings outside the financial sector.

2. Additional Tier 1 (AT1).

a) **positive elements**: equity instruments and related share premiums which do not represent elements of CET1 and which comply with certain conditions set out in the Regulation (Article 52 of the CRR);

b) **negative elements**: additional Tier 1 instruments held that the bank is required to purchase under an existing contractual obligation, additional Tier 1 instruments issued by financial sector entities under certain conditions as set out in Article 56 of the CRR.

3. Tier 2 (T2).

a) **positive elements**: equity instruments and subordinated loans with related share premiums under the conditions set out in article 63 of the CRR, adjustments for general credit risk before tax up to *1.25%* of risk-weighted exposure amounts;

b) **negative elements**: own Tier 2 instruments held by the institution, the Tier 2 instruments of financial sector entities as referred to in article 66 of the CRR.

Own funds

(€/thousand)	Total 31/12/2021	Total 31/12/2020
A. Common Equity Tier 1 (CET1) before application of prudential filters	162,613	170,508
of which CET1 instruments subject to transitional provisions		
B. CET1 prudential filters (+/-)	(667)	(689)
C. CET1 gross of items to be deducted and transitional regime effects (A+/-B)	161,946	169,819
D. Items to be deducted from CET1	(11,102)	(15,946)
E. Transitional regime - Impact on CET1 (+/-)	471	699
F. Total Common Equity Tier 1 (CET1) (C - D +/- E)	151,316	154,571
G. Additional Tier 1 capital (AT1) gross of the items before deductions and the effects of the transitional regime		
of which AT1 instruments subject to transitional provisions		
H. Items to be deducted from AT1		
I. Transitional regime - Impact on AT1 (+/-)		
L. Total Additional Tier 1 (AT1) - (G - H +/- I)		773
M. Tier 2 (T2) gross of items to be deducted and the effects of the transitional regime		
of which T2 instruments subject to transitional provisions		
N. Items to be deducted from T2		
O. Transitional regime - Impact on T2 (+/-)		1,028
P. Total Tier 2 (T2) (M - N +/- O)		1,028
Q. Total own funds (F + L + P)	**151,316**	156,373

Capital adequacy

Categories/Values (€/thousand)	Non weighted amounts		Weighted amounts/Requirements	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
A. RISK ASSETS				
A.1 CREDIT AND COUNTERPARTY RISK	**973,843**	**1,236,986**	**273,425**	**413,676**
1. Standardised approach	973,843	1,236,986	273,425	413,676
2. IRB approach				
2.1. Basis				
2.2. Advanced				
3. Securitisations				
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 CREDIT AND COUNTERPARTY RISK			**21,874**	**33,094**
B.2 CREDIT VALUATION ADJUSTMENT RISK			688	401
B.3 REGULATION RISK				
B.4 MARKET RISK			**14,914**	**13,243**
1. Standardised approach			14,914	13,243
2. Internal models				
3. Concentration risk			0	0
B.5 OPERATIONAL RISK			**9,731**	**8,826**
1. Basic approach			9,731	8,826
2. Standardised approach				
3. Advanced approach				
B.6 OTHER CALCULATION ELEMENTS				
B.7 TOTAL PRUDENTIAL REQUIREMENTS			**47,208**	**55,563**
C. RISK ASSETS AND CAPITAL RATIOS				
C.1 Risk-weighted assets			590,095	694,539
C.2 Common Equity Tier 1/Risk-Weighted Assets (CET1 capital ratio)			**25.64%**	22.26%
C.3 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)			**25.64%**	22.37%
C.4 Total own funds/Risk-weighted assets (Total capital ratio)			25.64%	22.51%

The tables above show the Own Funds and the capital adequacy ratios determined on the consolidation scope represented in this Report (and therefore Banca Profilo, Profilo Real Estate and Arepo Fiduciaria) and do not include the Parent Company Arepo BP.

Indeed, it should be noted that the Parent Company of the Banca Profilo Banking Group is Arepo BP S.p.A. and it is the Company required to report to the Supervisory Body on a consolidated basis on its Own Funds and prudential ratios in accordance with current regulations.

The figures for 2020, also determined on the consolidated perimeter shown in this Report, include the contribution of the entity Banque Profil de Gestion, sold on 1 June 2021.

Commentary on Consolidated Economic Results

Banca Profilo's consolidated performance during 2021 is illustrated below with reference to the main aggregates that are compared with those for the previous year, in the order of the reclassified income statement.

As already described above, the figures shown in the tables contained in the Report on Operations, relating to the income and expenses of the Group were determined in accordance with IFRS 5 and therefore, do not include the contribution deriving from the control of Banque Profil de Gestion for the first five months of 2021, which are classified, together with the profit deriving from the disposal, under the item "Profit/(loss) from discontinued operations after tax". The figures for the previous year also reflect this classification.

Net interest income

The **net interest income** at the end of 2021 was € 17.4 million (+22.3%), an increase compared to the € 14.2 million of the previous year. The increase is mainly linked to the greater contribution deriving from the banking book and new loans guaranteed by the State.

NET INTEREST INCOME

(€/thousand)	2021	2020	Changes	
			Absolute	%
Interest income and similar revenues	19,533	15,874	3,659	23.1
Interest expense and similar charges	(2,152)	(1,663)	-489	29.4
Net interest income	**17,381**	**14,211**	**3,170**	**22.3**

Other net revenues

Other net revenues at 31 December 2021 amounted to € 48.4 million, up by € 4.8 million compared to € 43.6 million at 31 December 2020 (+11.1%). The main components of the aggregate are detailed and commented on in the table below.

OTHER NET REVENUES

(€/thousand)	2021	2020	Changes	
			Absolute	%
Fee and commission income	31,812	23,499	8,313	35.4
Fee and commission expenses	(3,543)	(2,392)	-1,151	48.1
Net fee and commission income	**28,269**	**21,107**	**7,162**	**33.9**
Net result from financial activities and dividends	19,557	21,738	-2,181	-10.0
Other operating income/expenses	595	732	-137	-18.7
Total Other Net Revenues	**48,421**	**43,576**	**4,845**	**11.1**

As already described, **net commissions** amounted to € 28.3 million, an increase compared to the 2020 figure (+ 33.9%). The result was achieved thanks to the increase in all items, both of a recurring nature due to the increase in assets under management and in consultancy, and of a transactional nature thanks to the resumption of the placement of club deals and investment banking activities.

Net income from financial activities and dividends, equal to € 19.6 million, is down by € 2.2 million (-10.0%) compared to the € 21.7 million of the previous year. The decrease is mainly attributable to the trading book, which recorded lower realisations in 2021 (€ -7.0 million) partly offset by higher dividends (€ +4.8 million) than in 2020. The balance of other operating income and expenses, equal to € 0.6 million, is down compared to the figure as at 31 December 2020 (-18.7%), due to higher charges with customers.

Operating expenses

The aggregate of **operating costs** amounted to € 49.0 million, up compared to € 42.8 million in 2020 (+14.6%). The increase is mainly attributable to personnel and administrative expenses, in line with the results achieved, the investments envisaged in the Business Plan for the implementation of new commercial initiatives and for the Bank's digitalisation and automation process.

OPERATING EXPENSES AND OPERATING INCOME

(€/thousand)	2021	2020	Changes	
			Absolute	%
Personnel expense	(28,793)	(24,878)	-3,915	15.7
Other administrative expenses	(17,898)	(15,629)	-2,269	14.5
Net value adjustments on property, plant and equipment and intangible assets	(2,334)	(2,260)	-74	3.3
Operating expenses	**(49,025)**	**(42,767)**	**-6,258**	**14.6**
Operating income	**16,777**	**15,020**	**1,757**	**11.7**

Within the aggregate, **personnel expenses** increased by € 3.9 million, from € 24.9 million in 2020 to € 28.8 million in 2021 (+15.7%). The increase is mainly attributable to the greater provision relating to the 2021 variable components and to the new resources entered during the year. Other administrative expenses, net of charges aimed at maintaining the stability of the banking system reclassified under a specific item, amounted to € 17.9 million in 2021 and increased by € 2.3 million compared to 2020. The increase is mainly attributable to the higher costs associated with the Bank's digitisation plan, in relation to the IT migration project of the Finance platform, the digitisation of the private banking processes, the development of digital channels, as well as advertising costs. **Value adjustments on fixed assets**, equal to € 2.3 million, increased by € 0.1 million compared to those of the previous year, following the investments in the aforementioned projects.

The **operating result**, equal to € 16.8 million (+11.7%), is up by € 1.8 million compared to 2020, equivalent to a cost income of 74.5%, which is compared with 74.0% last year.

Provisions and adjustments

Total allocations and adjustments at 31 December 2021 were negative by € 1.3 million compared to € 39 million at 31 December 2020.

PROFIT/(LOSS) FOR THE YEAR BEFORE TAX

(€/thousand)	2021	2020	Changes	
			Absolute	%
Net provisions for risks and charges	77	407	-330	-81.1
Net value adjustments/reversals for credit risk relating to financial assets measured at amortised cost	(1,181)	(315)	-866	275.3
Net value adjustments/reversals on financial assets measured at fair value through other comprehensive income	(93)	17	-110	n.s.
Value adjustments to goodwill	(128)	(148)	20	-13.7
Current profit before tax	**15,452**	**14,981**	**471**	**3.1**

During the year, **net provisions for risks** and charges were positive for € 77 thousand and refer to the release of previous net provisions made by the Group following disputes being defined during the year, together with the net effect of the impairment on the guarantees issued and on the credit lines granted. **Net adjustments and write-backs** for credit risk relating to financial assets measured at amortised cost and on financial assets measured at fair value through comprehensive income as at 31 December 2021, amounted to € 1,274 thousand of net adjustments. The figure as at 31 December 2020 was € 298 thousand of net adjustments. In the year 2021, there were net adjustments of € 1,298 thousand on impaired credit positions, € 88 thousand on the securities portfolio and net reversals of € 112 thousand on performing loans. However, it should be noted that the Bank's loan portfolio, consisting mainly of Lombard loans, is characterised by exposures with large levels of guarantees which, despite the market volatility, have not undergone significant fluctuations in credit risk and related guarantees, and is substantially immune to the effects of the health emergency caused by the COVID-19 pandemic.

The **value adjustments of goodwill** at 31 December 2021 amounted to € 128 thousand, down on the previous year figure of € 148 thousand (-13.7%) and refer to the goodwill deriving from the acquisition of the "lending and custody" business unit and asset management in the financial years 2003 and 2004.

In the twelve months of 2021, **profit before taxes** amounted to € 15.5 million (+3.1%), an increase compared to the € 15.0 million recorded in 2020.

Consolidated profit for the year

Taxes for the year, net of those calculated on charges aimed at maintaining the stability of the banking system reclassified in a specific item, amounted to € 5.1 million, equivalent to a tax rate on profit from current operations of 33.0%.

The item **charges relating to the banking system** includes contributions aimed at maintaining the stability of the banking system (Resolution Funds and Interbank Deposit Protection Fund) shown net of tax and is equal to €0.9 million, in line with the figure of the previous year. The amount essentially consists of the **ordinary and additional contributions** to **the Single Resolution Fund** for the year 2021, equal to € 1.2 million before taxes.

The **Profit/(loss) of groups of assets held for sale**, representative of the Activities Abroad Business Unit, showed a profit of € 2.2 million. The item is made up for € 2.3 million of the profit from the sale deriving from the deconsolidation of the Swiss subsidiary carried out on 1 June 2021, net of the indemnities paid to the purchasing counterparty, and for € 0.1 million of net loss registered by the Swiss bank in the first five months of 2021. At 31 December 2020 the same item showed a net loss of € 1 million, of which € 0.4 million pertaining to minority interests.

(€/thousand)	2021	2020	Changes	
			Absolute	%
Tax on income for the year for continuing operations	(5,103)	(4,746)	-357	7.5
Charges relating to the banking system (net of taxes)	(930)	(901)	-29	3.2
Total profit (loss) after tax from disposal groups held for sale	2,206	(1,036)	3,242	n.s.
(Profit) loss for the year attributable to non-controlling interests	88	411	-323	n.s.
Parent Company's net profit for the year	**11,713**	**8,709**	**3,004**	**34.5**

Banca Profilo and its subsidiaries closed 2021 with a **consolidated net profit** of € 11.7 million, an increase of € 3.0 million (+34.5%) compared to the year 2020 and higher than the profit net forecast in the best scenario of the Business Plan for the same period. Net of the capital gain realised on the sale of the Swiss subsidiary for € 2.3 million, the increase in net profit was 8.1%.

The following table shows the reconciliation between Banca Profilo's shareholders' equity and profit for the year and the corresponding figures at consolidated level.

RECONCILIATION BETWEEN BANCA PROFILO'S FINANCIAL STATEMENTS AND THE CONSOLIDATED FINANCIAL STATEMENTS

(€/thousand)	Shareholders' equity	of which Profit for the year
Balances as at 31.12.2021 as per Banca Profilo's financial statements	**162,240**	**16,460**
Value adjustment to the book value of consolidated equity investments:		
- Pro-rata results of investees consolidated on a line-by-line basis	782	782
- Other reserves as a result of consolidation	1,265	0
Amortisation of positive consolidation differences:		
- for the current year	0	0
- pertaining to previous years	0	0
Adjustments to dividends collected during the year	0	(5,082)
Other consolidation adjustments:		
- elimination of intra-group profits/losses	105	105
- other	(538)	(552)
Balances as at 31.12.2021 as per the Consolidated financial statements	**163,854**	**11,713**

Results by Operating Segment

Representation by business segment was chosen as the primary reporting method, based on the requirements of IFRS 8, as it reflects the responsibilities for making operational decisions, based on the Group's organisational structure.

The defined sectors of activity are:

- **Private Banking & Investment banking** relating to the activities of the Private Banking Area with administered and managed Italian private and institutional customers, as well as the Investment Banking activities and the activities of the subsidiary Arepo Fiduciaria;
- **Finance**, relating to the management and development of trading activities on own account and on behalf of third parties in financial instruments and services related to their issue and placement;
- **Digital channels**, relating to the activities carried out in partnership with Tinaba on a digital platform;
- **Foreign Activities,** includes the contribution to the Income Statement recorded by the Swiss subsidiary Banque Profil de Gestion (BPDG) in the first five months of 2021. As already extensively described in the Report on Operations on 1 June 2021, the closing of the disposal transaction by Banca Profilo of all the shares held in BPDG to the shareholders of One Swiss Bank, was finalised. Therefore in the following tables, the income statement figure for 2021 made by the Swiss subsidiary in the first five months of 2021 is provided, including the profit realised by Banca Profilo following the disposal. Following the deconsolidation of the Swiss bank however, there is no financial evidence to be recognised;
- **Corporate Centre**, which oversees the guidance, coordination and control functions of the entire Group; this sector includes overheads, intra-group eliminations and the activities of the subsidiary Profilo Real Estate.

Breakdown by operating segment: income statement figures

(€/thousand)	Private & Inv. Banking		Finance		Activities Abroad		Digital Channels		Corporate Centre	
	12 2021	12 2020*	12 2021	12 2020	12 2021	12 2020*	12 2021	12 2020	12 2021	12 2020*
Net interest income	3,413	3,505	14,396	10,807	-	1,262	(10)	(9)	(417)	(91)
Other net revenues	27,679	20,680	21,854	23,613	-	9,236	(734)	(202)	(379)	(514)
Total net revenues	**31,091**	**24,185**	**36,250**	**34,420**	**-**	**10,498**	**(744)**	**(212)**	**(796)**	**(606)**
Total operating expenses	(21,233)	(17,987)	(11,658)	(10,907)	-	(11,716)	(3,849)	(2,819)	(12,283)	(11,055)
Operating income	**9,858**	**6,198**	**24,592**	**23,513**	**-**	**(1,217)**	**(4,593)**	**(3,030)**	**(13,079)**	**(11,661)**
Result before taxes	**9,127**	**6,129**	**23,943**	**23,421**	**-**	**(1,495)**	**(4,593)**	**(3,030)**	**(13,024)**	**(11,539)**

(*) Some 2020 figures have been reclassified for a better comparison with 2021 figures

Breakdown by operating segment: balance sheet figures

(€/thousand)	Private & Inv. Banking		Finance		Activities Abroad		Digital Channels		Corporate Centre	
	12 2021	12 2020*	12 2021	12 2020*	12 2021	12 2020	12 2021	12 2020	12 2021	12 2020
Loans	325,623	270,570	554,664	407,292		58,615				
Direct funding	630,965	664,447	316,395	270,871	-	235,079	37,748	14,964	-	0
Indirect funding	4,821,066	4,312,217	30,865	51,920	-	2,333,274	21,333	5,859	-	0

(*) Some 2020 figures have been reclassified for a better comparison with 2021 figures

A) Private Banking & Investment Banking

The **Private & Investment Banking** sector closes 2021 with **net revenues** of € 31.1 million, up from € 24.2 million in 2020 (+28.6%). The result was achieved by increasing all items, both of a recurring nature thanks to the increase in assets under management and in consultancy, and of a transactional nature thanks to the resumption of the placement of alternative products and club deals. The volumes of alternative products that make up the Bank's premium offer are continuing to grow. The Investment Banking sector recorded revenues of € 5.5 million, an increase compared to the € 2.5 million of the previous year (+115.8%), thanks to the greater contribution of credit and the new mandates carried out in Capital Market and Corporate Finance, including success fees of € 1.2 million.

The **total assets** of Private & Investment Banking are equal to € 5.4 billion, up 9.5% thanks to the performance of financial instruments and with **net inflows** of € 287 million from private customers and €501.7 million from institutional customers for the twelve months due to the closure of custody positions with zero profitability. Net **fiduciary funding** amounted to € 742.7 million (+1.3%).

Operating costs amounted to € 21.7 million, an increase of 20.4% compared to the € 18.0 million of the previous year. The sector closed with an **operating result** of € 9.9 million compared with € 6.2 million in the previous year (+59.1%).

Private Banking includes specialist advisory services and personalised management of the overall assets of Italian clients. This model provides an integrated offer of services for the management of all the components of customers' assets, thus moving from the traditional product logic mainly focused on the management of the financial component to a Bank model for the management of financial, corporate, property and household assets.

The main activities are detailed below.

Funding Activities

Total Private Banking assets, including net fiduciary funding, amounted to €5.45 billion, an increase compared to the previous year's figures for € 0.5 billion.
Direct funding decreased during the year, to € 631.0 million at 31 December 2021 compared with € 664.4 million at 31 December 2020 (-5.0%), while **indirect funding** (including net fiduciary funding) went from € 4,312.2 million at 31 December 2020 to € 4,821.1 million at 31 December 2021 (+11.8%). This included an increase in assets under management of € 148.5 million (+23.9%), assets under custody of € 351.2 million (+11.9%) and net fiduciary funding of € 9.2 million (+1.3%).

Total Deposits – Private & Investment Banking

(€/thousand)			Change	
	2021	2020*	Absolute	%
Direct funding	626,067	664,447	-38,379	-5.8
Indirect funding	4,078,412	3,578,735	499,677	14.0
- of which assets under management	*768,763*	*620,274*	*148,488*	*23.9*
- of which assets under custody	*3,309,649*	*2,958,461*	*351,188*	*11.9*
Total Funding	**4,704,479**	**4,243,182**	**461,297**	**10.9**
Net Funding Flows	**(222,735)**	**(123,146)**	**-99,589**	**80.9**
Net Fiduciary Funding	**742,655**	**733,482**	**9,173**	**1.3**
Total Fiduciary funding	**5,447,134**	**4,976,663**	**470,471**	**9.5**

(*) Some 2020 figures have been reclassified for a better comparison with 2021 figures

Lending Activities

Loans increased from € 270.6 million at 31 December 2020 to € 325.6 million at 31 December 2021 (+20.4%).

Lending activities are instrumental to Private Banking activities, in line with the service logic envisaged by the Group's business model. Secured loans in particular are key. The table below shows the aggregate values by technical form.

Net lending to customers – Private & Investment Banking

(€/thousand)			Change	
	12 2021	12 2020*	Absolute	%
Short-term current accounts	228,739	217,207	11,533	5.3
Mortgages	90,385	52,055	38,330	73.6
Total interest-bearing loans and advances to customers	**319,124**	**269,262**	**49,863**	**18.5**
Other receivables and loans	885	382	503	131.6
Non-performing receivables	5,613	926	4,687	506.2
Total Loans	**325,623**	**270,570**	**55,053**	**20.4**

(*) Some 2020 figures have been reclassified for a better comparison with 2021 figures

Fiduciary Activity

The fiduciary activity is carried out through the company Arepo Fiduciaria Srl, which offers a series of qualified services, such as consolidated reporting, corporate and succession planning and trusts.

During the year ended 31 December 2021, the company saw its total fiduciary assets increase by € 19.4 million (+1.7%).

B) Finance

Net revenues in 2021 amounted to € 36.3 million, against € 34.4 million in the previous year (+5.3%). The Trading **portfolio** (+ 25.4%) continues with the record results already recorded in the previous year, thanks to the contribution of both the Credit desk, obtained mainly through arbitrage strategies on BTP Italia with open exposure to rising inflation, and of the **Equity Market Making** desk thanks to the favourable positioning on the volatility curve. The **Equity Prop** desk was able to follow the rise in stock markets thanks to Long/Short, Capital Arbitrage and Mid-Small Cap strategies. **Brokerage** activity (-31.7%) was negatively impacted by lower volatility than in previous periods, as well as by the lower activity recorded on the secondary bond market. The **banking book** recorded a higher performance than last year (+9.0%), despite lower volumes invested, especially in the HTCS portfolio, thanks to a high implicit profitability and profit taking aimed at improving the portfolio's risk profile.

Operating costs increased by 6.9%, from € 10.9 million at 31 December 2020 to € 11.7 million at 31 December 2021. In 2021, the **operating result of** the Finance Area was positive for € 24.6 million, up by 4.6% compared to 2020.

C) Activities Abroad

On 1 June 2021, the closing of the sale transaction of all the shares held by the Bank in BPdG in favour of the shareholders of One Swiss Bank, was finalised. The economic contribution made by the Swiss subsidiary in the first five months of 2021, including the profit realised by Banca Profilo following the disposal (€ 2.3 million), was classified under the item "Profits/(losses) of groups of assets held for sale, net of taxes" described above. Following the de-consolidation of the Swiss Bank however, there is no financial evidence to be recognised.

D) Digital Channels

At the end of 2021, the operating costs for the development of the Digital Channels Area, in collaboration with Tinaba, amounted to € 3.8 million, an increase compared to the € 2.8 million of the previous year. The increase in costs is mainly due to the investments made for the development of the customer base (increase of 69% in 2021), for the development of new technologies (e.g. automatic recognition and new digital on-boarding) and for the expansion of the range of services offered (e.g. the financial education project via blog, newsletter, and a YouTube channel). Customers using the Robo-management service also grew, with net inflows in the year of € 19 million.

E) Corporate Centre

The Corporate Centre closes the year 2021 with a negative **operating result of** € 13.1 million compared to the € 11.7 million loss at 31 December 2020. Operating costs amounted to € 12.3 million, an increase compared to the € 11.1 million of the same period of the previous year also as a result of the increase in personnel costs for the area following the recruitment freeze and envisaged in the Business Plan and administrative expenses for investments in the digitisation of operational processes also envisaged by the Plan.

Results of Group Companies

Below are the results by group company presented for comparison with those of 2020. Figures are provided in thousands of euro.

Main income statement data for subsidiaries

	Banca Profilo		Arepo Fiduciaria		Profile RE	
	2021	2020	2021	2020	2021	2020
Net interest income	17,617	14,343	(1)	(1)	(311)	(225)
Other net revenues	52,263	47,290	3,513	1,688	2,010	2,020
Total net revenues	**69,880**	**61,633**	**3,512**	**1,687**	**1,699**	**1,795**
Total operating expenses	(49,421)	(43,186)	(3,123)	(1,387)	(827)	(839)
Operating income	**20,459**	**18,446**	**389**	**300**	**872**	**956**
Net profit (loss)	**16,460**	**13,112**	**207**	**202**	**613**	**753**

Banca Profilo S.p.A.
For the results of Banca Profilo S.p.A. see the Separate Report on Operations.

Profilo Real Estate S.r.l.
Profilo Real Estate is 100% owned by Banca Profilo and is subject to the management and coordination of the parent company Arepo BP pursuant to Article 2497 et seq. of the Italian Civil Code.

The company closed 2021 with a **positive result of € 613 thousand.**

The Board of Directors resolved to submit the following proposal for the allocation of profit to the Shareholders' Meeting:
- 5% to the Legal Reserve, equal to € 30,644;
- for the remainder, equal to € 582,226 to the sole shareholder by way of dividend.

Arepo Fiduciaria S.r.l.
Arepo Fiduciaria S.r.l. is 100% owned by Banca Profilo and is subject to the management and coordination of the parent company Arepo BP pursuant to Article 2497 et seq. of the Italian Civil Code.

The company offers fiduciary services to customers of both the Bank and third parties and has assets under trust of € 1,152 million. During the year ended 31 December 2021, the company's saw its net fiduciary funding increase by € 9.2 million (+1.3%), amounting to € 742.7 million.

The company closed with a **net profit of € 207 thousand.** The Board of Directors resolved to submit to the Shareholders' Meeting a proposal to **carry forward the profit for the year.**

Main Risks and Uncertainties

Information on the risks and uncertainties to which the Group is exposed is detailed in Part E of the Explanatory Notes, as well as the related hedging instruments and policies adopted.

Risks related to the national and international economic context and financial market trends are discussed in the section "Reference Macroeconomic Scenario and Commentary on Markets".
As is known, starting from the last weeks of February 2022, the geopolitical context was strongly influenced by the start of the Russia-Ukraine conflict. Therefore, repercussions on the European and global macroeconomic framework, in part already characterised by tensions in global supply chains as a consequence of the COVID-19 pandemic, cannot be excluded. It is therefore possible that the European economy is characterised by greater volatility (mainly due to the potential increase in energy costs over an extended period of time), and consequently there may be effects on production activities. The Group considers these events to be a non-adjusting event subsequent to the closing of the financial statements pursuant to IAS 10. Information on financial and operational risks, and the related hedging instruments and policies, are detailed in Part E of the Notes to the Consolidated Financial Statements.

Part E of the Notes to the Financial Statements under point 1.2, within the Section on "Market risks" in the paragraph "Other information on financial risks" also includes a table representing the sovereign risk exposure of Banca Profilo and its subsidiaries.

Main risks related to the COVID-19 pandemic and actions taken by Banca Profilo
Since the beginning of the health emergency, which began in January 2020, the Banca Profilo Group, in addition to increasing risk management, has taken measures to safeguard the safety of its collaborators and Customers, and to support the community.
The measures indicated are currently still in force and carefully monitored. In order to protect colleagues, the Bank put in place **smart working** for almost all of its colleagues, a system that has continued to be used throughout the crisis, making it structural beyond contingent needs with the definition of specific Regulations and contractual agreements; compliance with the **return and stay health protocol**, approved by the Bank, also continues. To support the operations of its customers, the Bank continues to ensure **full operational continuity** both at its headquarters and at its branches, also emphasising the use of **web services** and the **new App** for customers.
In consideration of the above, the controls on the operating processes have been strengthened, additional controls by the heads of the operating areas have also been envisaged, as well as a strengthening of controls on IT and its connections.
With reference to **credit risk**, the economic crisis resulting from the COVID-19 pandemic could impact in the medium to long term on the ability of businesses and households to regularly repay their debts to the banking system. This, in addition to causing an increase in impaired loans, could also negatively reflect on the valuation of performing receivables, with a prospective increase in overall impairment, without prejudice to the impacts and mitigations that will derive from the government measures undertaken in the last two years. Given the amount and type of loans granted (mainly *Lombard* receivables to private customers, secured by pledges on securities), this risk is limited overall for the Group.
As previously mentioned, during the course of 2021, within a specific ceiling approved by the Board of Directors, the parent company Banca Profilo pursued the disbursement of loans to companies guaranteed by the Guarantee Fund or by SACE, in accordance to the provisions of the so-called Liquidity Decree: on the portion of the loans not guaranteed by the Fund (10% - 20% of the total), the Bank is subject to the risk that the prolongation of the pandemic situation could cause a deterioration of loans and an increase in impairment. Furthermore, the very volatile trend of the financial markets could also have a negative impact on the value of the collateral held (mainly securities), therefore the adequacy of the collateral was intensified with respect to the ordinary frequency. Furthermore, regarding the definition of the collective value adjustments on the performing loan portfolio, the macroeconomic scenarios underlying the definition of the PD used in the collective devaluation were updated, in order to anticipate the expected negative effects on the economy.

As far as **market risks** are concerned, the pandemic situation led to an immediate and unprecedented contraction of global GDP in the first wave, with negative medium-term prospects, particularly impacting certain industrial sectors (transport, tourism, etc.). The economic recovery observed during 2021 remains highly dependent on the development of the infection situation. This uncertainty could have a negative impact on all stock markets worldwide, especially on specific industrial sectors most affected by the lockdown.

The intervention programmes that national governments have put in place to support the production system and families, in terms of size and duration, will determine an increase in public debts. Despite the massive intervention of the ECB, this situation of uncertainty together with the geopolitical instability could lead to an increase in the spread on Italian government securities, with consequent negative impacts on the income statement of the banks or on its equity ratios.

Over the last few years, the Bank has always favoured strategies with very low directional risks, characterised by arbitrage, basic trade, and wide diversification on the trading portfolio, both in the equity and bond sectors. Such strategies should minimise the impact of any of the negative market scenarios described above.
The structurally managerial HTC&S portfolio was affected at the beginning of the pandemic by the increase in spreads on government and non-government bonds, with an increase in the negative reserve of the portfolio and the consequent negative impact on the capital ratios of the parent company. This impact was completely recovered in the following months of 2020, thanks to the narrowing of the spreads observed on the market. The financial year 2021 showed a decreasing trend in the spread in the first part of the year, which then increased in the fourth quarter as the pandemic situation worsened.

With reference to **liquidity risk**, banks are required to cope with a huge demand for loans from businesses. The coordinated interventions of the central banks implemented up to now and the extraordinary programmes already announced have helped to mitigate this risk, preventing the emergence of tensions on the liquidity market. However, the negative trend of the financial markets and in particular of the spread on Italian government securities could erode the Bank's counterbalancing capacity and therefore its ability to access collateralised loans. To mitigate this risk, the Bank is holding much higher liquidity reserves than the target levels envisaged by the internal policy. It should also be noted that in December, Banca Profilo renewed the TLTRO-III operation from which it collected € 89.5 million.

Capital strength with the CET 1 ratio at around 25.64%, the liquidity position at very high levels, the stringent cost control, the quality of the assets and the diversified business model highlight the Group's ability to face the ongoing scenario without significant impacts. From an economic point of view, the higher operating result compared to that recorded in the years 2019 and 2020 confirms the resilience and validity of the business model even in a situation still characterised by the persistence of the effects of the health emergency caused by the COVID-19 pandemic.

Sustainability and ESG commitment

Banca Profilo has launched a transversal project aimed at strengthening, in the medium- to long-term, the various initiatives and activities, partly already launched, in support of an organic Sustainability Policy of the company that can have a concrete impact on the social fabric of reference and on environmental issues, both through the selection of investment solutions to be offered to its customers and directly through corporate initiatives.
In this regard, the budget for this year already presents objectives for a greater focus of the **range of offers** for private customers on the share of **ESG products**, with environmental and/or social characteristics or with a sustainable investment objective. In terms of **social responsibility**, the Bank continues its commitment to guaranteeing a working environment that favours organisational solutions to support the balancing of personal and working commitments, with extensive and flexible structural smart-working agreements and a welfare plan for the benefit of all employees. Equally relevant is the attention to gender issues. On this point, the bank has set itself objectives in terms of personnel balancing and gender-neutral remuneration policies. The Bank also supports charitable initiatives in the reference area, also in synergy with its customers, in order to make the impact of these initiatives as effective and tangible as possible. In terms of **environmental sustainability**, the Bank constantly continues to make its consumption more efficient, promoting conscious choices within the company, limiting the use of physical and energy resources in carrying out its activities, and expanding the number of hybrid vehicles in its own company fleet.

Aspects relating to "Climate Change"

As part of the periodic assessment of risks, including those of a non-financial nature, the Bank's Management has also taken into account any risks related to Climate Change.
The analyses conducted lead to the qualification of these risks as not particularly relevant for the Group and not having significant financial implications in the short and medium term, both with reference to credit risk and to market risk.
In view of business activities, it is considered that climate change represents an opportunity to offer new products/services.
In accordance with the 2020-2023 business plan forecast and regulatory developments, the bank planned to outline how it would implement ESG-consistent selection criteria in its investment processes. The start of this implementation was postponed to subsequent years of the business plan.

Corporate Report

Governance

With regard to the information referred to in article 123-bis of the TUF relating to the Corporate Governance system, please refer to the specific document "**Report on corporate governance and ownership structures**" approved and published, together with these financial statements, in the Corporate Governance section of the Bank's website at the following address: www.bancaprofilo.it.

Human Resources

The workforce of the Banca Profilo Group at 31 December 2021, net of staff terminated at the end of the year, amounted to 186 units. The figure decreased overall compared to the previous year in relation to the finalisation of the sale of the foreign subsidiary (which employed 33 people in Switzerland and 2 in Luxembourg), while at the individual level Banca Profilo recorded an increase in personnel with a view to strengthening the personnel in line with the objectives of the Business Plan.

	Group		of which Abroad	
	Number of employees	Number of employees	Number of employees	Number of employees
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Employees				
a) executives	52	51	-	3
b) middle managers	80	96	-	17
c) remaining staff	54	64	-	15
Other staff	-	-	-	-
Total	**186**	**211**	**-**	**35**

The workforce has a distribution of 108 men and 78 women, with an overall average age of 45 years.
As regards training, in continuity with the previous year, online courses were held almost exclusively, mainly focused on the issues of regulatory updating on cross-cutting issues related to the use of applications and the enhancement of soft skills, as well as on technically specialised areas of operation.

Charity Initiatives

In consideration of the persistence of the pandemic context also for 2021, the Bank has chosen to confirm its contribution to society by supporting educational initiatives and access to education. In particular, the Bank has chosen to support the educational projects of Portofranco, established since 2000 with a certified social impact to contribute to educational continuity and study support for the most vulnerable groups of students who struggle to find a balance at school due to loneliness, economic difficulties and complex family situations.

Security

In 2021, work was carried out to maintain the technological standards of IT security systems and to eliminate any risk factors present in the performance of the Group's employees' work activities, also as a result of the ongoing pandemic; the control mechanisms for software modification were maintained, both in the case of code developed internally and externally. The perimeter of protection against possible cyber attacks was strengthened through the implementation of specialised software.

Organisation and Information Systems

During 2021, the Bank, through the Digital Channels Area and the partner Tinaba S.p.A., continued to develop the high-added-value digital service project, which can be integrated with traditional and innovative banking and financial products and services. In particular, during 2021 the activities of the Digital Channels Area focused on developing synergies with the Tinaba app and on the robo advisor service, inaugurating ad hoc communication channels for the latter, with financial education contents. Digital on-boarding has been revamped, making it faster and more secure to sign up to the service, personalised prepaid cards linked to influencers have been issued, and a collaboration with a major national newspaper has been promoted, again as part of the personalised card offer. The anti-fraud system was also enhanced, making it more sophisticated and usable.
The Bank will continuously evaluate the possible expansion of its range of products and services, in particular in the area of loans, according to the needs of its customers.

With a view to constantly focusing on the efficiency of operating processes, a process of robotisation of various administrative and control processes has been launched, with the aim of reducing the time needed to carry out activities and minimising operating risks, and a comprehensive project started to improve the efficiency and digitalisation of key internal administrative and operational processes. A digital redesign and review of the processes for providing private banking services is also underway, which envisages the enrichment and evolution of many of the operational functions currently available, adapting them to the most modern technological standards.

As regards the Information Systems, the extensive project for the renewal of the information system of the Finance Area has continued and is still underway.

Shareholding, Share Performance and Other Market Information

Shareholding

At 31 December 2021, based on the evidence in the shareholders' register and other information in the possession of the Issuer, the shareholders of Banca Profilo holding more than 3% of the shares were as follows:

SHAREHOLDER	NO. OF SHARES	% OF SHARE CAPITAL
Arepo BP S.p.A.*	423,088,505	62.40%
Market	254,909,351	37.60%
TOTAL	**677,997,856**	**100.00%**

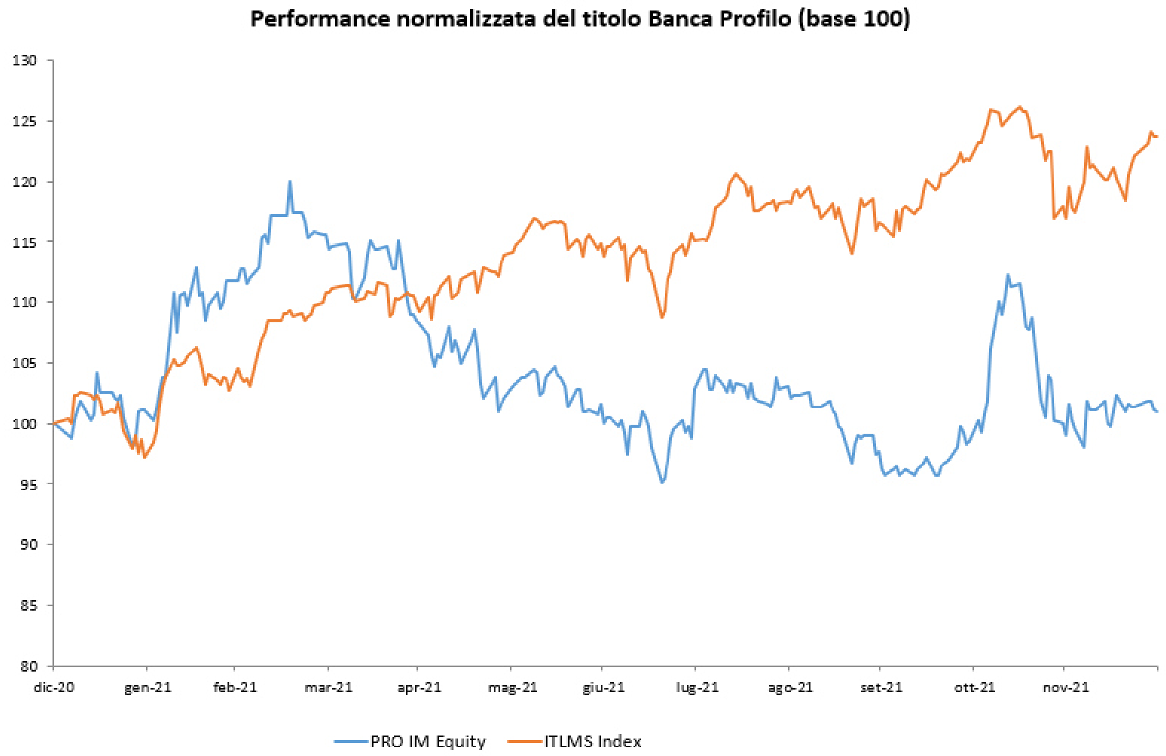
**Company 100% owned by Sator Investments S.à.r.l., fully owned by Sator Private Equity Fund "A" L.P. (SPEF) or "Sator Fund", a fund managed by Sator Capital Limited.*

The figures shown in the above table are gross of Banca Profilo shares held by the same. The figures include the 23,46,391 shares of Banca Profilo S.p.A. held by the Bank as at 31 December 2021, equal to 3.45% of the share capital.

Share Performance

During 2021, the Stoxx Europe 600 index increased by 22.1% while the Italian index, the FTSE Italia All Shares, grew by 23.7%.
In absolute terms, the Banca Profilo share price recorded a positive performance of 0.9%, compared to the 23.71% performance of the Italian index. If we consider the dividends distributed in 2021, the Banca Profilo share price significantly reduced the performance gap compared to the FTSE Italia All Shares index, recording a performance of 16.8%.

The share price closed 2021 at € 0.214, compared to a price of € 0.212 at 30 December 2020 and an average of € 0.2208 in 2021. The maximum price was recorded in March and was € 0.2545. Average daily volumes stood at 794,591 units in the 2021 financial year, down from the previous year when they exceeded 1.2 million units traded daily.



Disclosure in relation to high-risk financial instruments

In line with the recommendations of the Financial Stability Forum in its report issued on 7 April 2008 and with the Bank of Italy's request in its communication no. 671618 of 18 June 2008 in relation to market disclosure, it is hereby declared that, at 31 December 2021, neither the Bank nor its subsidiaries had outstanding exposure in financial instruments considered to be high risk or involving greater risk than previously commonly believed, including Collateralised Debt Obligations (CDOs), Residential Mortgage-Backed Securities (RMBS), Commercial Mortgage-Backed Securities (CMBS), Special Purpose vehicles and other leveraged finance instruments.

Other market information

Certification pursuant to Art. 2.6.2 of the Italian Stock Exchange Regulations, with regard to the adjustment to the conditions set out in Art. 15 of the Market Regulations

Until 1 June 2021, Banca Profilo was the parent company of a company based in a non-EU country (Banque Profil de Gestion SA), which was of significant importance pursuant to article 36 of the Consob Market Regulations. In consideration of this circumstance, Banca Profilo has set up a specific procedure which ensures compliance with the provisions of the aforementioned discipline on the subject of controls and information flows between the non-EU subsidiary and the Italian listed company. With the disposal of the entire equity investment held in Banque Profil de Gestion SA with effect from 1 June 2021, the Bank is no longer the parent company of companies based in a country that does not belong to the European Union.

Certification pursuant to Article 2.6.2. of the Stock Exchange Regulations regarding the existence of the conditions set out in Article 16 of the Consob Market Regulations

Banca Profilo S.p.A. is subject to the management and coordination of the parent company Arepo BP S.p.A. pursuant to Art. 2497 et seq. of the Italian Civil Code.

With reference to the provisions of Article 16 of the Consob Market Regulations, the conditions set out in paragraph 1, letters a), b), c) and d) for maintaining the listing have been met. With particular reference to paragraph 1 letter d) of the Consob Market Regulations, it should be noted that Banca Profilo has set up internal board committees, composed exclusively of Independent Directors. In particular, the Bank has set up the Control and Risk Committee, the Remuneration Committee and the Appointments Committee.

Disclosure on the purchase/sale of treasury shares

During the year, the Bank has completed the plan to purchase treasury shares as authorised by the Shareholders' Meeting of 23 April 2020 aimed at supporting exchanges, already started in 2020 with purchases of 6,658,305 shares using a third-party intermediary (Equita SIM S.p.A.). As part of this activity, 2,746,695 shares equal to 0.41% of the share capital were purchased during the first months of 2021, thus reaching the maximum payment authorised by the aforementioned Shareholders' meeting of € 2 million. Further movements of treasury shares were made as part of the implementation of the shareholding plans in favour of the Bank's employees.

In addition to the treasury shares deriving from the execution of the aforementioned resolution, 14.001.391 treasury shares remain in Banca Profilo's portfolio, in relation to previous authorisations from the shareholders' meeting. Therefore, as at 31 December 2021, the Bank holds 23,406,391 treasury shares, equal to 3.45% of the share capital.

Equity investments held by Directors, Statutory Auditors and Key Management Personnel in Banca Profilo and its subsidiaries

Equity investments held directly or indirectly in Banca Profilo S.p.A. and its subsidiaries, in compliance with the provisions of Consob Regulation 11971 of 14 May 1999, are reported in the Remuneration Report published on the Bank's website within the time limits and in the manner prescribed by law. Part H of the Notes provides information on the remuneration paid to members of the Board of Directors, the Board of Statutory Auditors, the General Manager and Key Management Personnel.

Other Relevant Information

The Bank qualifies as a Small and Medium-Sized Enterprise (SME) pursuant to and for the purposes of Consob Resolution no. 20621 of 10 October 2018 implementing Article 1, paragraph 1, letter w-quater.1) of Italian Legislative Decree no. 58/98 (TUF).

Management and Coordination Activities and Transactions with Related Parties

Banca Profilo is subject to the management and coordination of the parent company Arepo BP S.p.A. pursuant to article 2497 et seq. of the Italian Civil Code. Coordination and control over the Bank are exercised on the basis of the Banca Profilo Banking Group Regulations issued by Arepo BP and implemented by all subsidiaries. Any activity carried out with Related Parties, either directly or through subsidiaries, takes into account the regulations and internal procedure regarding transactions with related parties and related disclosure obligations in force at the reference date. In this regard, it should be noted that the Board of Directors of the Parent Company Arepo BP on 8 July 2021, amended the Parent Company Directive on risk assets, conflicts of interest, and transactions with associated parties, to bring it into line with the updates introduced by the amendments to the Regulations on Related Party Transactions issued by Consob (Regulation no. 17221 of 12 March 2010), aimed at incorporating the so-called Shareholder Rights Directive 2 (Directive (EU) 2017/828), and entered into force on 1 July 2021. The Directive is addressed to all the companies of the Banca Profilo banking group. In implementation of the same, the Bank has adopted a specific procedure for the management of transactions (i) with related parties, (ii) in conflict of interest, (iii) in which the Director has an interest. This procedure was last updated by resolution of the Board of Directors on 8 July 2021.

Without prejudice to compliance with the principle set out in Article 2391 of the Italian Civil Code with regard to the interest of the director, the provisions of Article 136 and the new wording of Article 53, paragraph 4, of Italian Legislative Decree 385/93 (Consolidated Banking Law or TUB), with regard to the obligations of bank representatives, apply. Intragroup transactions are carried out on the basis of reciprocal assessments of convenience and the conditions to be applied are defined in compliance with the criteria of substantial correctness, with the aim of creating value for the entire Group.

During the year, a number of transactions with related parties were carried out, information on which is provided in Part H, which summarises the Group's economic and financial transactions as at 31 December 2021 with non-consolidated investees and other related parties.

Information on Stock Option and Stock Grant Plans

The April 2015 Shareholders' Meeting of Banca Profilo approved a Stock Grant Plan in favour of its employees both to comply with the requirements of the regulatory bodies for the payment of the variable component of the remuneration for "key employees", under the definition provided by the Bank of Italy on the subject of remuneration (see Circular 285/2013) and to provide for motivational and retention mechanisms for the remaining personnel, if certain conditions are met. The Plan was subsequently extended by the 2017 Shareholders' Meeting and, most recently, by the 2020 Shareholders' Meeting, which extended it for a further three years (2020-2022).

The Plan provides for: (i) the assignment of shares, both for the upfront and deferred components, once the malus conditions for each individual deferral period have been exceeded (detailed in the Bank's Remuneration Policy in force at the time – see Remuneration Report available at the following link to the Bank's website: www.bancaprofilo.it/CorporateGovernance/Documenti Societari/Remunerazioni) and in the absence of individual malus situations and (ii) the attribution of the same, after the retention periods, as a result of the relationship and absence of individual malus situations.

The Beneficiaries of the Plan are the Chief Executive Officer and General Manager and the other employees of the Bank and its subsidiaries who have joined the Plan, or the executive directors of the latter; the operating procedures of the Plan are differentiated according to whether or not the staff fall under the category of "key employees". In particular, for "key employees" the retention and deferral periods provided for by the Remuneration Policy in force at the time apply.

Under the existing stock grant plan, 2,428,472 Banca Profilo shares were allocated in April 2021 and 515,208 in November 2021; in both cases, the treasury shares held in the portfolio by Banca Profilo were used as planned.

Significant Events after the Reporting Period

As already highlighted in the 2020 Financial Report and in the subsequent quarterly reports of 2021, the Bank acknowledged the launch by Fondo Sator Private Equity Fund "A", LP ("Fund") of the process aimed at increasing the controlling interest held, through Arepo BP, in Banca Profilo and therefore of the continuation during the period of discussions with new Italian and international subjects, who have expressed an interest in acquiring a stake in the share capital of the Bank, with a view to its further development and efficiency.

On 7 March 2022, Arepo BP, the banking parent company of the Banca Profilo Group, announced that Sator Capital Limited ("SCL"), manager of the Fund which holds the entire capital of Arepo BP, announced that the Fund (as of the end of the second extension period), with effect from 5 March 2022, had entered into the liquidation phase.

All this takes place in application of the terms established by the Fund's regulations and under the discipline of English law. In the same communication it is specified that the formal liquidation phase, which does not have a set deadline, takes place in continuity with the current management of the Fund and will therefore always be handled by the SCL manager. The liquidation phase will see the continuation (with the same objectives of maximising value) of the divestment activities of the investments still held by the Fund, including the process already started by Arepo BP for the sale of the investment (equal to 62.4% of the share capital) held in Banca Profilo.

In this regard, it is specified that the future disposal of the equity investment by Arepo BP, and therefore a possible change in the ownership structure, is not expected to have any impact on the normal activity of the Bank which continues to manage activities in each of its business areas with great fervour, in line with the objectives set by the 2020-2023 Business Plan. The directors ascertain the prerequisites for the Bank's operational continuity, also considering that the start of the liquidation phase of the Fund is a formal phase that occurs in continuity, without a set deadline, with the current manager.

On 8 March 2022, the Bank of Italy communicated to Banca Profilo S.p.A., and its parent company Arepo BP, the start of the supervisory review process (Supervisory Review and Evaluation Process – SREP) for the years 2020-2021, also taking into account the results of the prudential evidence referred to in article 100 of Directive 2013/36/EU. The capital ratios corresponding to the Overall Capital Requirements (OCR) that the Banca Profilo[2] Banking Group should hold are as follows:

a) CET1 ratio: 8.15%
b) Tier 1 ratio: 10.05%
c) Total Capital ratio: 12.60%

Meanwhile, the capital ratios that the Banca Profilo Banking Group should hold, in order to absorb any losses from stress scenarios, are as follows:

- CET1 ratio: 9.90%
- Tier 1 ratio: 11.80%
- Total Capital ratio: 14.35%

It should be noted that at the date of approval of this Report, the communication from the Bank of Italy relating to the closure of the aforementioned procedure has not yet been received. It should also be noted that the figures regarding 31 December 2021 already show the full capital strength of the Banca Profilo Banking Group and of Banca Profilo S.p.A., which largely exceed these requirements, both taking as a reference the effective coefficients calculated in compliance with the transitional criteria in force for 2021 (phased-in) and considering the capital ratios calculated on a fully phased-in basis. From the foreseeable evolution of the management, no elements emerge that could significantly affect the capital solidity described above.
As is known, starting from the last weeks of February 2022, the geopolitical context was strongly influenced by the start of the Russia-Ukraine conflict. Therefore, repercussions on the European and global macroeconomic framework, in part already characterised by tensions in global supply chains as a consequence of the COVID-19 pandemic, cannot be excluded. It is possible that the European economy is characterised by greater volatility (mainly due to the potential increase in energy costs over an extended period of time), and consequently there may be effects on production activities. The Bank considers these events to be a non-adjusting event subsequent to the closing of the financial statements pursuant to IAS 10.

Outlook

Banca Profilo, on 10 February 2022, approved the budget for the year 2022, based on the strategic guidelines of the 2020-2023 Business Plan, pro-forma for the exit of the Swiss subsidiary, with an update of the main objectives set for 2022 in light of the results achieved in 2021 and the developments in the markets in which the bank is active. The targets set by the new budget are consistent with the objectives of the Business Plan for 2022 of the "best" scenario.

The strengthening of Private Banking activities was confirmed through an organic growth strategy and according to the lines of new alternative and niche products relaunched in the Plan, in particular the strengthening of the insurance offer, the focus on ESG products and the further development of industrial, financial and real estate club deals. In Investment Banking, the growth targets are confirmed through the development of new strategic products and the consolidation of those already offered, as well as the strengthening of lending activities by exploiting the opportunities offered by the market for loans guaranteed by the central fund and the purchase of tax receivables. In the Finance segment, the consolidation of trading and the maintenance of profitability on the banking book will continue, as will the development of intermediation and synergies with Private Banking, through the issue of certificates. In the Digital Channels segment, further development of the "Digital Bank" is expected through the growth of the customer base and the offer of new products and services, including the brokerage of crypto currency, aimed at generating revenues. The budget does not include assumptions of external growth transactions and assumes the continuation of the current business model also in the scenario of the expected exit of the current controlling shareholder with the consequent potential governance changes.

In this regard, as already reported in the "Significant Events after the Reporting Period", in light of the communication issued by the parent company Arepo BP on 7 March 2022, relating to the entry into a

[2] The Banca Profilo Banking Group reported in the communication is to be understood within the prudential scope, composed of the Parent Company Arepo BP, a holding company that does not carry out business with the public, the subsidiary Banca Profilo and its subsidiaries, all consolidated with the integral method. Arepo BP also holds a jointly controlled investment in Extrabanca S.p.A., which for prudential purposes is consolidated using the proportional method.

liquidation phase by the Sator Fund Private Equity Fund (formal phase that occurs continuously, without a set deadline, and with the current manager) no impact is expected on the normal activity of the Bank which continues to manage activities in each of its business areas with great fervour, in line with the objectives set by the 2020-2023 Business Plan and reflected in the Budget objectives set out above. It should also be noted that the Board of Directors of Banca Profilo in the meeting of 10 February 2022 acknowledged that discussions continue between the Parent Company Arepo BP and primary parties interested in acquiring a stake in the share capital of Banca Profilo with a view to its further development and efficiency.

As known, starting from the last weeks of February 2022, the geopolitical context was strongly influenced by the start of the Russia-Ukraine conflict and, although to date there are no direct exposures by the Bank towards the two Countries, either in lending activities and in the holding of financial instruments, it cannot be excluded that the foreseeable evolution of the Bank's operations described above may also be indirectly impacted by the repercussions on the European and global macroeconomic scenario, which is unpredictable at the moment, both in terms of the repercussions of the sanctions applied by all countries against Russia and in terms of the heavy dependence of European countries, and in particular Italy, on the supply of raw energy materials from the countries involved in the conflict. The Bank will continue to closely monitor the geopolitical and macroeconomic aspects, and therefore the trend of the financial markets with the related impacts on the proprietary portfolio managed by the Bank's Finance Area, as well as more frequent verifying the value of the collateral underlying its loans. Particular attention will also be paid by the Bank to its banking, financial and corporate counterparts who may have direct or indirect exposure to the countries in conflict in order to promptly intercept any critical issues at an early stage, and therefore identify solutions.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheet
(Amounts in €/thousand)

Assets	**31/12/2021**	**31/12/2020***
10. Cash and cash equivalents	24,728	81,691
20. Financial assets measured at fair value through profit and loss	380,091	409,668
a) financial assets held for trading	380,091	409,630
c) other financial assets mandatorily measured at fair value	-	38
30. Financial assets measured at fair value through other comprehensive income	221,623	193,589
40. Financial assets measured at amortised cost	948,183	777,740
a) loans and advances to banks	67,896	99,578
b) loans and advances to customers	880,287	677,862
50. Hedging derivatives	1,444	405
90. Property, plant and equipment	53,344	54,297
100. Intangible assets	4,472	3,224
of which:		
- goodwill	909	1,037
110. Tax assets	3,442	3,274
a) current	859	598
b) deferred	2,583	2,676
120. Non-current assets and disposal groups held for sale	-	299,520
130. Other assets	29,347	23,280
Total Assets	**1,666,674**	**1,846,388**

* the figures as at 31 December 2020 have been restated in the light of the 7th update of Circular no. 262 of the Bank of Italy

continued: CONSOLIDATED BALANCE SHEET

Liabilities and Shareholders' equity	31/12/2021	31/12/2020
10. Financial liabilities measured at amortised cost	1,317,832	1,217,542
a) deposits from banks	337,622	267,260
b) deposits from due to customers	980,210	950,282
20. Financial liabilities held for trading	97,313	110,536
40. Hedging derivatives	52,399	32,693
60. Tax liabilities	2,363	2,323
a) current	1,134	809
b) deferred	1,229	1,514
70. Liabilities associated with assets held for sale	-	248,302
80. Other liabilities	30,227	36,729
90. Employee severance indemnity	1,471	1,671
100. Provisions for risks and charges	1,215	387
a) commitments and guarantees issued	20	57
c) other provisions for risks and charges	1,195	330
120. Valuation reserves	1,788	2,036
150. Reserves	29,383	34,432
155. Interim dividends	(10,472)	-
160. Share premium	82	82
170. Share capital	136,994	136,994
180. Treasury shares (-)	(5,634)	(5,787)
190. Non-controlling interests (+/-)	-	19,739
200. Profit (Loss) for the year (+/-)	11,713	8,709
Total Liabilities and Shareholders' Equity	**1,666,674**	**1,846,388**

Consolidated Income Statement

(Amounts in €/thousand)

Items		2021	2020
10.	Interest income and similar revenues	19,533	15,874
	of which: interest income calculated using the effective interest rate method	15,916	12,846
20.	Interest expense and similar charges	(2,152)	(1,663)
30.	**Net interest income**	**17,381**	**14,211**
40.	Fee and commission income	31,385	23,499
50.	Fee and commission expenses	(3,543)	(2,392)
60.	**Net fee and commission income**	**27,842**	**21,107**
70.	Dividends and similar income	21,405	16,556
80.	Net profit (loss) from trading	(9,640)	(5,766)
90.	Net profit (loss) from hedging	(383)	(95)
100.	Income (loss) from disposal or repurchase of:	8,274	11,046
	a) financial assets measured at amortised cost	3,555	3,027
	b) financial assets measured at fair value through other comprehensive income	4,719	8,019
110.	Net profit (loss) from other financial assets and liabilities measured at fair value through profit and loss	(38)	(4)
	b) other financial assets mandatorily measured at fair value	(38)	(4)
120.	**Intermediation margin**	**64,841**	**57,055**
130.	Net value adjustments/reversals for credit risk relating to:	(1,274)	(298)
	a) financial assets measured at amortised cost	(1,181)	(315)
	b) financial assets measured at fair value through other comprehensive income	(93)	17
150.	**Net result from financial activities**	**63,567**	**56,757**
180.	**Net result from financial and insurance activities**	**63,567**	**56,757**
190.	Administrative expenses:	(51,969)	(45,471)
	a) personnel expense	(28,793)	(24,878)
	b) other administrative expenses	(23,176)	(20,593)
200.	Net provisions for risks and charges	77	407
	a) commitments and guarantees issued	37	(50)
	b) other net provisions	40	457
210.	Net value adjustments/reversals on property, plant and equipment	(1,439)	(1,336)
220.	Net value adjustments/reversals on intangible assets	(895)	(924)
230.	Other operating income/expenses	4,331	4,361
240.	**Operating expenses**	**(49,895)**	**(42,963)**
270.	Value adjustments to goodwill	(128)	(148)
290.	**Profit/(loss) before tax from continuing operations**	**13,544**	**13,646**
300.	Tax on income for the year for continuing operations	(4,655)	(4,312)
310.	**Profit/(loss) after tax from continuing operations**	**8,889**	**9,334**
320.	Profit/(loss) from discontinued operations after tax	2,736	(1,036)
330.	**Profit/(loss) for the year**	**11,625**	**8,298**
340.	Profit (loss) for the year attributable to non-controlling interests	88	411
350.	**Parent company's profit (loss) for the year**	**11,713**	**8,709**
	Basic earnings per share - on current operations	**0.014**	**0.014**
	Basic earnings per share - on discontinued operations	**0.004**	**(0.001)**
	Basic earnings per share - on profit for the year attributable to the Parent Company	**0.018**	**0.013**
	Diluted earnings per share - on current operations	**0.014**	**0.014**
	Diluted earnings per share - on discontinued operations	**0.004**	**(0.001)**
	Diluted earnings per share - on profit for the year attributable to the Parent Company	**0.018**	**0.013**

Consolidated Statement of Comprehensive Income

(Amounts in €/thousand)

Condensed statement

Items	12 2021	12 2020
10. Profit/(loss) for the year	**11,625**	**8,298**
Other comprehensive income after tax without reversal to Income Statement	**(1,208)**	**805**
20. Equity securities measured at fair value through other comprehensive income	(1,214)	2,458
70. Defined benefit plans	6	(1,653)
Other comprehensive income after tax with reversal to Income Statement	**(517)**	**3,058**
110. Exchange differences	(5)	(13)
140. Financial assets (other than equity securities) measured at fair value through other comprehensive income	(512)	3,071
170. Total other comprehensive income after tax	**(1,725)**	**3,863**
180. Comprehensive income (Item 10 + 170)	**9,900**	**12,161**
190. Consolidated comprehensive income attributable to non-controlling interests	(88)	(1,143)
200. Consolidated comprehensive income attributable to the Parent Company	**9,988**	**13,304**

Consolidated Statement of Changes in Equity

(Amounts in €/thousand)

Consolidated statement of changes in equity - 2021

																				(€/thousand)
							Allocation of previous year's result		Changes during the year											
										Transactions on shareholders' equity										
	Balances as at 31.12.2020 Group shareholders' equity	Balances as at 31.12.2020 Non-controlling interests	Change in the opening balances of Group shareholders' equity	Change in the opening balances of non-controlling interests	Balances as at 1.1.2021 Group shareholders' equity	Balances as at 1.1.2021 Non-controlling interests	Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Interim dividends	Extraordinary dividend distribution	Changes in equity instruments	Derivatives on treasury shares	Stock options	changes in shareholdings	Comprehensive income for 2021	Group shareholders' equity as at 31.12.2021	Non-controlling interests as at 31.12.2021
Share capital																				
a) ordinary shares	136,994	5,231	-	-	136,994	5,231	-	-	-	-	-	-	-	-	-	-	(5,231)	-	136,994	-
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium	82	-	-	-	82	-	-	-	-	-	-	-	-	-	-	-	-	-	82	-
Reserves																				
a) profit	34,432	16,173	-	-	34,432	16,173	(3,475)	-	(1,985)	-	-	-	(2,862)	-	-	-	(12,812)	-	29,383	88
b) other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Valuation reserves	2,036	(948)	-	-	2,036	(948)	-	-	-	-	-	-	-	-	-	-	2,425	(1,725)	1,788	-
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interim dividends	-	-	-	-	-	-	-	-	-	-	-	(10,472)	-	-	-	-	-	-	(10,472)	-
Treasury shares	(5,787)	(306)	-	-	(5,787)	(306)	-	-	773	-	(620)	-	-	-	-	-	306	-	(5,634)	-
Profit/(loss) for the year	8,709	(411)	-	-	8,709	(411)	3,475	(11,773)	-	-	-	-	-	-	-	-	-	11,625	11,713	(88)
Group shareholders' equity	**176,466**	**-**	**-**	**-**	**176,466**	**-**	**-**	**(11,773)**	**(1,212)**	-	**(620)**	**(10,472)**	-	-	-	-	**1,477**	**9,988**	**163,854**	**-**
Non-controlling interests	**-**	**19,739**	**-**	**-**	**-**	**19,739**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,862)**	**-**	**-**	**-**	**(16,789)**	**(88)**	**-**	**-**

Consolidated statement of changes in equity - 2020

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 2020

(€/thousand)

	Balances as at 31.12.2019 Group shareholders' equity	Balances as at 31.12.2019 Non-controlling interests	Change in the opening balances of Group shareholders' equity	Change in the opening balances of non-controlling interests	Balances as at 1.1.2020 Group shareholders' equity	Balances as at 1.1.2020 Non-controlling interests	Allocation of previous year's result: Reserves	Allocation of previous year's result: Dividends and other allocations	Changes during the year: Changes in reserves	Transactions on shareholders' equity: Issue of new shares	Purchase of treasury shares	Interim dividends	Extraordinary dividend distribution	Changes in equity instruments	Derivatives on treasury shares	Stock options	changes in shareholdings	Comprehensive income for 2020	Group shareholders' equity as at 31.12.2020	Non-controlling interests as at 31.12.2020
Share capital																				
a) ordinary shares	136,994	5,206	-	-	136,994	5,206	-	-	25	-	-	-	-	-	-	-	-	-	136,994	5,231
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium	82	*0*	-	-	*82*	*0*	-	-	-	-	-	-	-	-	-	-	-	-	82	*0*
Reserves																				
a) profit	25,991	15,742	-	-	25,991	15,742	8,728	-	144	-	-	-	-	-	-	-	-	-	34,432	16,173
b) other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Valuation reserves	*(2,559)*	*(216)*	-	-	*(2,559)*	*(216)*	-	-	*0*	-	-	-	-	-	-	-	-	3,863	2,036	*(948)*
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	*(3,603)*	*(303)*	-	-	*(3,603)*	*(303)*	-	-	*255*	-	*(2,442)*	-	-	-	-	-	-	-	*(5,787)*	*(306)*
Profit/(loss) for the year	*8,371*	*357*	-	-	*8,371*	*357*	*(8,728)*	-	-	-	-	-	-	-	-	-	-	*8,298*	*8,709*	*(411)*
Group shareholders' equity	**165,276**	**-**	**-**	**-**	**165,276**	**-**	**-**	**-**	**1,041**	-	**(2,442)**	-	-	-	-	-	-	**13,304**	**176,466**	**-**
Non-controlling interests	**-**	**20,785**	**-**	**-**	**-**	**20,785**	**0**	**-**	**(617)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,143)**	**-**	**19,739**

Consolidated Cash Flow Statement (indirect method)

(Amounts in €/thousand)

	2021	2020*
A. OPERATING ACTIVITIES		
1. Cash flows from operations	**52,921**	**926**
- profit/(loss) for the year (+/-)	11,625	8,298
- capital gains/losses on financial assets held for trading and other financial assets/liabilities at fair value through profit and loss (-/+)	13,064	(11,029)
- capital gains/losses on hedging operations (-/+)	13,064	(8,107)
- net value adjustments/reversals for credit risk (+/-)	1,274	298
- net value adjustments/reversals on property, plant and equipment and intangible assets (+/-)	2,334	2,408
- net provisions for risks and charges and other costs/revenues (+/-)	6,867	4,741
- outstanding taxes, duties and tax credit (+/-)	4,655	4,312
- net value adjustments/reversals on discontinued operations net of tax effect (+/-)	0	0
- other adjustments (+/-)	38	5
2. Cash flows from (used in) financial assets	**(202,504)**	**353,763**
- financial assets held for trading	16,475	133,302
- financial assets designated at fair value	0	0
- other financial assets mandatorily measured at fair value	0	0
- financial assets measured at fair value through other comprehensive income	(28,375)	75,286
- financial assets measured at amortised cost	(171,924)	134,359
- other assets	(18,680)	10,816
3. Cash flows from (used in) financial liabilities	**123,716**	**(328,760)**
- financial liabilities measured at amortised cost	98,337	(313,019)
- financial liabilities held for trading	(13,223)	(18,379)
- financial liabilities designated at fair value	0	0
- other liabilities	38,602	2,638
Cash flows from (used in) operating activities	**(25,867)**	**25,929**
B. INVESTMENT ACTIVITIES		
1. Cash flows from	**(3,034)**	**0**
- sales of equity investments	0	0
- collected dividends on equity investments	0	0
- sales of property, plant and equipment	0	0
- sales of intangible assets	0	0
- sales of subsidiaries and business units	(3,034)	0
2. Cash flows used in	**(2,334)**	**(2,179)**
- purchases of equity investments	0	0
- purchases of property, plant and equipment	(64)	(921)
- purchases of intangible assets	(2,270)	(1,258)
- purchases of subsidiaries and business units	0	0
Cash flows from (used in) investment activities	**(5,368)**	**(2,179)**
C. FUNDING ACTIVITIES		
- issue/purchase of treasury shares	(620)	(2,442)
- issue/purchase of equity instruments	0	0
- dividend distribution and other purposes	(25,108)	0
Net cash flows from (used in) funding activities	**(25,728)**	**(2,442)**
NET CASH FLOWS GENERATED (USED IN) IN THE YEAR	**(56,963)**	**21,308**

* the figures as at 31 December 2020 have been restated in the light of the 7th update of Circular no. 262 of the Bank of Italy

The liquidity generated by the sale of subsidiaries includes the cash consideration received at the time of the closing of the sale of BPDG, equal to € 28.4 million, net of the imbalance of the assets and liabilities sold.

Reconciliation	31/12/2021	31/12/2020*
Cash and cash equivalents at the beginning of the year	81,691	60,383
Net cash flows generated (used in) in the year	(56,963)	21,308
Cash and cash equivalents at the end of the year	**24,728**	**81,691**

(*) the figures relating to 2020 have been restated

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PART A – Accounting policies

A.1- GENERAL CRITERIA

Section 1 - Statement of compliance with international accounting standards

The consolidated financial statements of the Banca Profilo Group have been prepared in accordance with IAS/IFRS[3] accounting standards issued by the International Accounting Standards Board (IASB) and the relative interpretations of the International Financial Reporting Committee (IFRIC), approved by the European Commission and in force as at 31 December 2021, implemented in our system by Italian Legislative Decree no. 38 of 28 February 2005, which exercised the option provided for by Regulation (EC) no. 1606/2002 on international accounting standards. The application of the IAS/IFRS was carried out with reference also to the "systematic framework for the preparation and presentation of the financial statements" (so-called Framework), with particular reference to the fundamental principle concerning the prevalence of substance over form, as well as to the concept of the relevance and significance of information. The financial statements have also been prepared in accordance with the provisions of the Bank of Italy in circular no. 262 of 22 December 2005 and subsequent updates.[4]

Section 2 - General preparation principles

The consolidated financial statements consist of the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and the Notes to the Consolidated Financial Statements, and is accompanied by the directors' report on operations, financial results achieved, and the consolidated financial situation.

In compliance with the provisions of Art. 5(2) of Italian Legislative Decree no. 38 of 28 February 2005, the consolidated financial statements have been prepared using the euro as the accounting currency. In particular, in line with the instructions issued by the Bank of Italy, all the figures shown in the financial statements and in the notes are expressed in thousands of euros.

In order to take account of the changes that have occurred in the provisions of the Italian Civil Code regarding financial statements following the entry into force of the reform of company law (Italian Legislative Decree no. 6 of 17 January 2003 and delegated measures under Law no. 366 of 3 October 2001), the information in the Notes, unless otherwise provided for by the special regulations of the Bank of Italy, has been suitably and consistently supplemented.

The Consolidated Report on Operations and the Notes to the Consolidated Financial Statements provide the information required by international accounting standards, the law, the Bank of Italy and the National Commission for Companies and the Stock Exchange (Commissione Nazionale per le Società e la Borsa - Consob), as well as other information that is not mandatory but considered equally necessary for a correct and truthful representation of the Group's assets and liabilities, financial position and results of operations.

For the purposes of preparing these Consolidated Financial Statements, consideration has also been taken, where applicable, of interpretative and supporting documents on the application of the accounting principles issued by the European regulatory and supervisory bodies and standard setters in relation to the resulting impacts from COVID-19, supplementing the accounting information.

With particular reference to the financial statements and the Notes, pursuant to Art. 9 of Italian Legislative Decree no. 38 of 28 February 2005, the Bank has applied the provisions of Bank of Italy Circular no. 262 of 22 December 2005 and subsequent updates, integrating information where required by international accounting standards or deemed appropriate in terms of materiality or significance.

[3] These standards, as well as the related interpretations, are applied according to the occurrence of events regulated by them from the date of their mandatory application, unless otherwise specified.
[4] In particular, reference is made to the 7th update of 29 October 2021, as well as to the communication of 21 December 2021 containing updates to the additions to the provisions of Circular 262 concerning the impacts of COVID-19 and the measures to support the economy, and amendments to the IAS/IFRS.

The assessment criteria are adopted with a view to going concern and comply with the principles of accrual accounting, relevance and materiality of information and priority of economic substance over juridical form.
In accordance with the provisions of the joint Bank of Italy/Consob/Isvap Document no. 2 of 6 February 2009 concerning disclosure on a going concern basis and in compliance with the requirements of IAS 1 revised for the same subject, the Directors did not identify any uncertainties that could give rise to doubts about the company's ability to continue as a going concern in the foreseeable future and consequently prepared these consolidated financial statements on a going concern basis. Indeed, having acknowledged that the COVID-19 pandemic has had negative effects on the real economy, partly offset by the measures to support the production system and households implemented by Governments, in light of the results achieved by the Group during the year and taking these circumstances into account in assessing the significant items in the financial statements, the Directors believe that there are no significant conditions of uncertainty such as to compromise the prospects of continuity in the foreseeable future. The main regulatory indicators as at 31 December 2021 were also taken into account at the basis of this assessment, in terms of Cet1 Ratio equal to 25.77% and LCR ratio equal to 167%, well above the regulatory limits. Consequently, the Consolidated Financial Statements have been prepared with a view to business continuity.

Publication of the financial statements in ESEF format

Directive 2004/109/EC (the "Transparency Directive"), subsequently amended by Directive 2013/50/EU, established the obligation for listed companies, starting from financial year 2021, to prepare the annual financial report in a harmonised electronic format. The consequent Delegated Regulation (EU) 2019/815 therefore defined a single electronic communication format called ESEF (European Single Electronic Format), consisting of the annual financial report in XHTML format and the marking up of the financial statements using an integrated marking language, iXBRL. The use of the iXBRL markup language involves the application of a taxonomy that allows the conversion of the XHTML text into information readable by electronic devices. The Delegated Regulation requires the use of Inline XBRL technology, which allows for the incorporation of iXBRL mark ups in the annual financial report in XHTML format.

The marking obligation, for the 2021 financial year, is limited to certain personal information of the issuer and the consolidated financial statements.

Notes for a correct comparison of the comparative financial statements and comparative information

Following the publication of the 7th update of Circular no. 262 of the Bank of Italy, the on sight receivables with banking counterparties were reclassified from item 40.A "Financial assets measured at amortised cost – Loans and advances to banks" of the Balance Sheet Assets to item 10 "Cash and cash equivalents" of the Balance Sheet assets. Likewise, the aforementioned update has modified the presentation of some information of a quantitative nature in parts B, C, and E of the Explanatory Notes. For the purposes of preparing these Consolidated Financial Statements, the comparative figures relating to the 2020 financial year, for the tables modified by this update, have been restated with respect to the published 2020 Consolidated Financial Statements.

IAS/IFRS accounting standards and SIC/IFRS interpretations entered into force as at 1 January 2021

Starting from 1 January 2021, the following new IFRS accounting standards, amendments and interpretations came into force:

- Amendment "COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)" (published on 31 March 2021). The amendment extends by one year the period of application of the amendment issued in 2020, which provided lessees the right to account for the reductions in rents related to COVID-19 without having to assess, through the analysis of the contracts, whether the definition of lease modification in IFRS 16 was met. Therefore, the lessees who applied this option in the 2020 financial year recognised the effects of the reductions in rent directly in the income statement at the effective date of the reduction. The 2021 amendment, available only to entities that have already adopted the 2020 amendment, is effective as of 1 April 2021 and early adoption is allowed.
- Amendment "Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)" (published on 25 June 2020). The amendment makes it possible to extend the temporary exemption from the IFRS 9 application until 1 January 2023 for insurance companies.
- "Interest Rate Benchmark Reform — Phase 2" document (published on 27 August

2020). The document, in light of the reform on interbank interest rates, contains amendments to the following standards:
- IFRS 9 - Financial Instruments;
- IAS 39 - Financial Instruments: Recognition and Measurement;
- IFRS 7 - Financial Instruments: Disclosures;
- IFRS 4 - Insurance Contracts; and
- IFRS 16 - Leases.

Given the Group's operations, the entry into force of the above documents has not had a significant effect.

At 31 December 2021, the following IFRS and IFRIC accounting standards, amendments and interpretations were issued and approved by the European Union, applicable from 1 January 2022 or later, and not adopted early by the Group for the purposes of these Consolidated Financial Statements:

- Amendment "**Amendments to IFRS 3 Business Combinations**" (published on 14 May 2020). The amendments are intended to update the reference in IFRS 3 to the Conceptual Framework in the revised version, without this entailing changes to the provisions of the standard;
- Amendment "**Amendments to IAS 16 Property, Plant and Equipment**" (published on 14 May 2020). The purpose of the amendments is to disallow the deduction from the cost of property, plant and equipment of the amount received from the sale of goods produced in the test phase of the business. These sales revenues and the related costs will therefore be recognised in the income statement;
- Amendment "**Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets**" (published on 14 May 2020). The amendment clarifies that all costs directly attributable to an agreement must be considered in the estimate of the possible cost of an agreement. Consequently, the assessment as to whether a contract is onerous includes not only the incremental costs (such as, for example, the cost of the direct material used in the processing), but also all costs that the company cannot avoid because it has entered into the agreement (such as, for example, the share of the depreciation of the machinery used for the fulfilment of the agreement);
- "**Annual Improvements 2018-2020**" documents the amendments made to IFRS 1 First-time Adoption of International Financial Reporting Standards, to IFRS 9 Financial Instruments, to IAS 41 Agriculture and to the Illustrative Examples of IFRS 16 Leases.
  All changes will take effect on 1 January 2022. The Directors do not expect a significant effect on the Group's consolidated financial statements from the adoption of these amendments.
- **IFRS 17 - Insurance Contracts** (issued on 18 May 2017) intended to replace IFRS 4 - Insurance Contracts. The objective of the new standard is to ensure that an entity provides relevant information that faithfully represents the rights and obligations arising from insurance contracts issued. The IASB developed the standard to eliminate inconsistencies and weaknesses in existing accounting policies, providing a single principle-based framework to take account of all types of insurance contracts, including reinsurance contracts that an insurer holds. The new standard also includes presentation and disclosure requirements to improve comparability between entities in this segment. The new standard measures an insurance contract based on a General Model or a simplified version of this, called the Premium Allocation Approach ("PAA"). The standard applies from 1 January 2023 but early application is allowed, only for entities that apply IFRS 9 - Financial Instruments and IFRS 15 - Revenue from Contracts with Customers.
  The Directors do not expect the adoption of this standard to have any significant impact on the Group's consolidated financial statements.

It should also be noted that at the date of these consolidated financial statements, the competent bodies of the European Union had not yet completed the endorsement process necessary for the adoption of the amendments and standards described below.

- Amendment "**Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current**" (published on 23 January 2020). The document aims to clarify how to classify debts and other short- or long-term liabilities. The changes come into effect from 1 January 2023; early application is however permitted.
  The Directors do not expect a significant effect on the Group's consolidated financial statements from the adoption of this amendment.
- Amendments "**Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS**

Practice Statement 2" and "**Definition of Accounting Estimates - Amendments to IAS 8**" (published on 12 February 2021). The amendments are aimed at improving disclosure on accounting policies in order to provide more useful information to investors and other primary users of the financial statements and to help companies distinguish changes in accounting estimates from changes in accounting policies. The changes will come into effect from 1 January 2023, but early application is permitted.
The Directors do not expect a significant effect on the Group's consolidated financial statements from the adoption of this amendment.

- Amendment "**Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction**" (published on 7 May 2021). The document clarifies how deferred taxes on certain transactions that can generate assets and liabilities of the same amount, such as leasing and dismantling obligations, must be accounted for. The changes will come into effect from 1 January 2023, but early application is permitted.
The Directors do not expect a significant effect on the Group's consolidated financial statements from the adoption of this amendment.
- Amendment "**Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 - Comparative Information**" (published on 9 December 2021). The amendment is a transition option relating to comparative information on financial assets presented at the date of initial application of IFRS 17. The amendment is aimed at avoiding temporary accounting mismatches between financial assets and liabilities of insurance agreements, and therefore at improving the usefulness of comparative information for readers of the financial statements. The amendments will apply from 1 January 2023, together with the application of IFRS 17.
The Directors do not expect a significant effect on the Group's consolidated financial statements from the adoption of this amendment.

Section 3 – Scope and methods of consolidation

This section sets out the criteria and standards used to prepare the consolidated financial statements at 31 December 2021.

The consolidated financial statements include the balance sheet and income statement results of Banca Profilo and its direct and indirect subsidiaries, in accordance with IFRS 10, which requires control for the consolidation of all types of entities. This requirement is fulfilled when the Parent Company meets all the following requirements:

- power to decide on the entity's significant activities;
- exposure to variable returns arising from the relationship with the entity;
- ability to exercise its power to influence the amount of its returns (link between power and returns).

The requirement of control therefore implies that the Parent Company must have the ability to direct the controlled entity, by virtue of a legal right or a mere de facto situation, and also be exposed to the variability of results deriving from this power. Consequently, the determination of the scope of consolidation requires consideration of all factors and circumstances that provide the investor with the practical ability to unilaterally conduct the entity's significant activities (de facto control).

It should be noted that during the year the Parent Company, on 1 June 2021, finalised the sale of the interest held in Banque Profil de Gestion. As of that date, the entities Banque Profil de Gestion SA and Dynamic Asset Management SA are no longer part of the Group. Therefore, the Parent Company deconsolidated the assets and liabilities sold. The Group's income statement includes the contribution of the entities sold up to 31 May 2021, and is classified under item "320. Profit/(Loss) from discontinued operations net of taxes", together with the realisation effect deriving from the sale.

1. Equity investments in wholly-owned subsidiaries

The following table shows the equity investments included in the scope of consolidation (all consolidated on a line-by-line basis):

Company name	Registered office	Type of relationship (1)	Shareholding relationship		Voting rights (2)
			Investing company	%	
1. Profilo Real Estate S.r.l.	Milan	1	Banca Profilo S.p.A.	100%	100%
2. Arepo Fiduciaria S.r.l.	Milan	1	Banca Profilo S.p.A.	100%	100%

Key

(1) Type of relationship

1 = majority of voting rights at ordinary shareholders' meetings

(2) Votes available in the ordinary shareholders' meeting, distinguishing between actual and potential

2. Significant assessments and assumptions for determining the scope of consolidation

Preparation criteria and scope of consolidation

The consolidated financial statements include the balance sheet and income statement results of the parent company and its subsidiaries. The financial statements of subsidiaries are prepared using the same accounting standards for each accounting year-end as those of their parent company. Any consolidation adjustments are made to make items that are affected by the application of different accounting standards consistent.

The book value of equity investments in fully consolidated companies, held by the parent company, is offset against the assets and liabilities of the investee companies - with the corresponding portion of shareholders' equity attributable to Banca Profilo and its subsidiaries, adjusted if necessary to align them to the reference accounting standards. Assets and liabilities, off-balance sheet transactions, income and expenses, and significant profits and losses between companies included in the scope of consolidation have been eliminated.

The operating results of a sold subsidiary are included in the consolidated income statement until the date of sale, i.e. the date on which the parent company ceases to have control of the subsidiary. The difference between the sale price of the subsidiary and the book value of its assets minus its liabilities at the date of sale is recognised in the consolidated income statement as a gain or loss on sale of the subsidiary. On 1 June 2021, the parent company Banca Profilo completed the disposal of the interest held in Banque Profil de Gestion. As of that date, the entities Banque Profil de Gestion SA and Dynamic Asset Management SA are no longer part of the Group, therefore the Parent Company deconsolidated the assets and liabilities sold. The Group's income statement includes the contribution of the entities sold up to 31 May 2021 and the profit from the disposal determined as the difference between the disposal price and the book value of the subsidiary's net assets as of 31 May 2021.

Non-controlling interests are presented in the consolidated balance sheet separately from the liabilities and shareholders' equity of the parent company. Non-controlling interests are also presented separately in the income statement.

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

Interests are considered significant when the accounting data of the investee company is relevant to the reader of the consolidated financial statements.

Following the disposal of the subsidiary Banque Profil de Géstion SA, there are no equity investments with significant third party interests.

4. Significant restrictions

At 31 December 2021, there were no legal or substantive constraints or restrictions that could hinder the rapid transfer of equity resources within the Group. The only constraints are those that are attributable to legislation, which may require the maintenance of a minimum amount of own funds, and to the provisions of the Italian Civil Code on distributable profits and reserves.

It should also be noted that there are no protective rights held by minority shareholders that could limit the Group's ability to access or transfer assets between Group companies or settle the Group's liabilities, also in relation to the fact that there are no subsidiaries with significant and non-significant non-controlling interests, as explained in the previous paragraph.

5. Other information

All subsidiaries prepare financial statements at 31 December 2021.

Management and coordination activities
Banca Profilo and its subsidiaries are subject to the management and coordination of the Parent Company Arepo BP pursuant to Art. 2497 et seq. of the Italian Civil Code.

Any relations between the Bank and other Group companies with Arepo BP are indicated in "Part H – Transactions with related parties" to which reference should be made.

As at the date of preparation of these financial statements, the figures for the financial statements as at 31 December 2021 of Arepo BP S.p.A. are not available, as required by Article 2497- ter of the Italian Civil Code, as they have not yet been approved. The figures relating to the financial statements as at 31 December 2020 are therefore attached.

Section 4 - Significant events subsequent to the reporting period

On 17 March 2022, the Board of Directors of Banca Profilo examined these draft consolidated financial statements and authorised their publication.
Referring to the Report on Operations for a general discussion on developments after the end of the financial year, it should be noted that after 31 December 2021 and up to the date of approval of this report, no facts or events have occurred that would lead to an adjustment to the results of the financial statements as at 31 December 2021.

On the other hand, it should be noted as a significant event, in accordance with IAS 10 does not entail an adjustment of the balance sheet values, the evolution of the geo-political context encountered since the last weeks of February 2022 following the start of the Russia-Ukraine conflict. Therefore, repercussions on the European and global macroeconomic framework, in part already characterised by tensions in global supply chains as a consequence of the COVID-19 pandemic, cannot be excluded. It is possible that the European economy is characterised by greater volatility (mainly due to the potential increase in energy costs over an extended period of time), and consequently there may be effects on production activities. In view of the uncertainty regarding the evolution of the geopolitical environment and its impact on production activities, it is not possible to exclude significant effects on the Italian and international economy that could entail the need to make a new estimate of the financial statement values in light of the information that will become available. For further details on the related elements of uncertainty, please refer to the following Section 5 "Other aspects" in Part A of the Notes.

Section 5 - Other matters

Use of estimates and assumptions when preparing the consolidated financial statements
The preparation of the consolidated financial statements also requires the use of estimates and assumptions that can have a significant impact on the balance sheet and income statement amounts, as well as on disclosure of contingent assets and liabilities reported in the financial statements. The preparation of these estimates involves the use of available information and the adoption of subjective evaluations, also based on historical experience, used for the formulation of reasonable assumptions for the recognition of operating events. By their nature, the estimates and assumptions utilised may vary from one period to another and, therefore, it cannot be ruled out that in subsequent periods the actual amounts stated in the financial statements may differ, even to a significant extent, as a result of changes in subjective assessments made.

Among the main factors of uncertainty that could affect the future scenarios in which the Group will find itself operating, there are, in addition to the possible contagion developments on the global and Italian economies directly or indirectly still partly connected to the epidemic, the effects related to the geopolitical context, influenced by the conflict currently taking place in Ukraine, whose impacts on the economy to date cannot be estimated as there are many determinants that are still unknown and undefined. As mentioned above, repercussions on the European and global macroeconomic framework cannot be ruled out, and as previously mentioned it is therefore possible that the European economy is characterised by greater volatility (mainly due to the potential increase in energy costs over an extended period of time), and consequently there may be effects on production activities. The analyses will consequently be progressively updated as part of the accounting estimates for the 2022 financial year. In any case, as illustrated in Part E of these Explanatory Notes, in section 2 – Risks of the prudential consolidation, the Group does not have direct exposures towards Russian or Ukrainian counterparties, and the indirect impacts, with reference to the Group's credit exposures, finance area and customers, are contained. It is believed that the information and sensitivity analyses provided with reference to the main items of the financial statements subject to estimate are capable of reflecting the impacts related to the elements of uncertainty assumed at the date of preparation of this Financial Report.

The main cases for which the use of subjective assessments by management was necessary are as follows:

- use of valuation models to measure the fair value of financial instruments not listed in active markets;
- the quantification of expected losses on receivables, securities, guarantees issued and commitments;
- the determination of the fair value of financial instruments to be used for financial statement reporting purposes;
- assessment of the fairness of the value of goodwill and other intangible assets;
- the quantification of provisions for risks and charges and the assessment of contingent liabilities;
- the quantification of personnel funds.

It should be noted that the adjustment of an estimate may occur as a result of changes in the circumstances on which it was based or as a result of new information or more experience.

The change in the estimate is applied prospectively and therefore has an impact on the income statement for the year in which the change takes place and, if necessary, for future years.

In this regard, it should be noted that the 2021 financial year was not characterised by changes in the estimate criteria already applied for the preparation of the Financial Statements as at 31 December 2020. In order to make a more precise application of these estimation criteria, steps have been taken, also in consideration of the direct and indirect impacts of the COVID-19 pandemic, to update the assumptions underlying the estimation processes.

In particular, as regards the determination of the expected loss on receivables, securities, guarantees given and commitments pursuant to IFRS 9, which is also a function of prospective information such as, in particular, the evolution of macroeconomic scenarios used in the calculation of value adjustments, the evolution of these scenarios, and their weighting was assessed on a periodic basis. For further details, please refer to the information reported in Part E of these Notes to the Consolidated Financial Statements.

The description of the accounting policies applied to the main aggregates of the financial statements provides the information necessary to identify the main assumptions and subjective assessments used in the preparation of the consolidated financial statements. For further detailed information regarding the composition and the relative book value of the items affected by the estimates in question, please refer to the specific sections of the notes.

Risks, uncertainties and impacts of the COVID-19 epidemic

The COVID-19 epidemic required the Group to undertake measures aimed at effectively managing the risks and direct and indirect impacts related to the pandemic. Please refer to the section "Main risks related to the COVID-19 pandemic and actions taken by Banca Profilo" in the consolidated Report on Operations for further details with reference to the specific risks the Group has had to face, and the related management methods undertaken.

With specific reference to the assessment of the going concern assumption, as previously mentioned, the Directors confirmed the applicability of this assumption in the preparation of the consolidated financial statements in the light of the results achieved by the Group during the year, and in the assessment of the significant items of the financial statements. The Directors therefore considered that no significant conditions of uncertainty emerged such as to compromise the prospects of continuity in the foreseeable future.

As regards the potential uncertainty in the estimates, related to the impacts of the COVID-19 epidemic, as previously highlighted, the impacts that can be estimated to date have been taken into consideration in the formulation of the accounting estimates by updating the assumptions underlying the estimation processes, highlighting that the 2021 financial year was not characterised by changes in these estimation processes already applied in the preparation of the previous financial statements.

Contractual changes resulting from COVID-19

1) Contractual amendments and accounting de-recognition (IFRS 9)

With particular reference to the moratoria in compliance with the Law Decree no. 18 of 17 March 2020 and the disbursements in accordance with Law Decree no. 23 of 8 April 2020, there are a number of entirely residual positions, all referable to Banca Profilo, for which an accounting and prudential treatment was carried out in accordance with the provisions of the EBA Guidelines of 25 March 2020 and 2 April 2020.

2) Amendment of the accounting standard IFRS 16

As already highlighted in Section 2, the entry into force of the amendment concerning IFRS 16 did not have any effects on the Group's consolidated financial statements.

Transparency requirements in reporting public disbursements

In accordance with the provisions of the so-called "Annual law for the market and competition" (Law no. 124/2017), which provides that as from 2018, companies that receive grants, contributions, remunerated assignments and in any case economic advantages of any kind from Public Administrations or parties connected to the latter, are required to indicate these amounts in the notes to the financial statements, it should be noted that, also taking into account the indications provided by the in-depth document issued by Assonime on 14 February 2018, Banca Profilo has received aid of € 114 thousand, mainly concerning training plans, and this has been registered in the National Aid Register (Registro Nazionale degli Aiuti - RNA).

Disclosure in relation to high-risk financial instruments

In line with the recommendations of the Financial Stability Forum in its report issued on 7 April 2008 and with the Bank of Italy's request in its communication no. 671618 of 18 June 2008 in relation to market disclosure, it is hereby declared that, at 31 December 2021, neither the Bank nor its subsidiaries had outstanding exposures in financial instruments considered to be high risk or involving greater risk than previously commonly believed, including Collateralised Debt Obligations (CDOs), Residential Mortgage-Backed Securities (RMBS), Commercial Mortgage-Backed Securities (CMBS), Special Purpose vehicles and other leveraged finance instruments.

Option for tax consolidation

Banca Profilo and its subsidiaries Arepo Fiduciaria S.r.l. and Profilo Real Estate S.r.l. have joined the so-called "national tax consolidation" scheme provided for by articles 117-129 of the T.U.I.R. (Italian consolidated tax act), of which Arepo BP S.p.A. is the consolidating company as the parent company. With the exercise of the option, the total net income or tax loss of each company participating in the tax consolidation, together with withholdings, deductions and tax credits, are transferred to the parent company, producing a single taxable income or a single loss that can be carried forward resulting from the algebraic sum of its own income or losses and those of the participating subsidiaries and, consequently, a single tax debit/credit.[5]

Auditing

These consolidated financial statements at 31 December 2021 have been audited by Deloitte & Touche S.p.A.

A.2 - MAIN ITEMS OF THE FINANCIAL STATEMENTS

The accounting standards adopted for the preparation of the consolidated financial statements are set out below.

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

(a) Classification criteria

This category includes financial assets held for trading, financial instruments that are held with the intention of generating profits in the short term from variations in the prices of said instruments and derivative contracts not designated as hedges (HTS business model), in particular:

- listed and unlisted debt securities;
- listed equity securities;
- unlisted equity securities only when their fair value can be reliably determined;
- derivative contracts, with the exception of those designated as hedging instruments, which have a positive fair value at the balance sheet date; if the fair value of a derivative contract subsequently becomes negative, it is recorded under financial liabilities held for trading.

The item also includes financial assets mandatorily measures at fair value, represented by financial assets that do not meet the requirements for measurement at amortised cost or at fair value through other comprehensive income (so-called "SPPI test" not passed) or that are not held within the framework of an HTS business model and financial assets designated at fair value, i.e. financial assets thus defined at the time of initial recognition. In relation to such cases, an entity may irrevocably designate a financial asset as measured at fair value through profit and loss if, and only if, this significantly reduces an inconsistency in measurement.

[5] For Banca Profilo and Arepo Fiduciaria the three-year option is in force for the years 2020-2022, while for Profilo Real Estate the option in force is valid for the three-year period 2019-2021.

The derivative is a financial instrument or other contract with all three of the following characteristics:

- its value changes in response to changes in a specific interest rate, the price of a financial instrument, the price of a good, the exchange rate of a foreign currency, an index of prices or rates, a credit rating or credit index or other variables;
- it does not require an initial net investment or requires an initial net investment lower than would be required by other types of contracts from which similar responses to changing market factors can be expected;
- it will be settled at a future date.

This category includes financial and credit derivatives. The former includes forward contracts for the purchase and sale of securities and currencies, derivative contracts with underlying securities and those without underlying securities linked to interest rates, indexes or other assets, and derivative contracts on currencies. Derivative contracts also include those that may be embedded in other complex financial instruments, which have been recognised separately from the host instrument because:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the primary contract;
- the embedded instruments, even if separate, meet the definition of a derivative;
- the hybrid instruments to which they belong are not measured at fair value with changes in value recognised in the income statement.

This item also includes investments subject to significant influence or joint control which, IAS 28 and IFRS 10 respectively allow for assignment to this portfolio.
Reclassifications to other categories of financial assets are only possible if the entity changes its business model for the management of financial assets. In these cases, which are expected to be highly infrequent, financial assets may be reclassified from the category 'measured at fair value through profit and loss' to one of the other two categories envisaged by IFRS 9 (financial assets measured at amortised cost or financial assets measured at fair value through other comprehensive income). The transfer value is represented by the fair value at the time of reclassification. The date of reclassification and its value will be taken into account for the calculation of the effective interest rate of the reclassified asset, and for the stage assignment credit risk allocation activity.

(b) Recognition criteria

The initial recognition of debt and equity securities takes place on the "settlement date", while derivative instruments are recognised on the "subscription date".
The initial book value is equal to the cost (purchase price) intended as the fair value of the instrument, without considering any transaction costs or revenues directly attributable to the instrument which are recorded in the income statement.

(c) Measurement criteria

Subsequent to initial recognition, financial assets held for trading are measured at fair value, with changes recognised in the income statement under item 80 "Net profit (loss) from trading" and item 110 "Net profit (loss) from other financial assets and liabilities measured at fair value through profit and loss" - a) financial assets and liabilities designated at fair value and - b) other financial assets mandatorily measured at fair value.
Market prices are used to determine the fair value of financial instruments listed on active markets.
An active market is defined as one where listings, reflecting normal market transactions, are readily and regularly available through stock exchanges, brokers, intermediaries, companies in the sector, listing services or authorised bodies and express the price of actual and regular market transactions that occurred during a normal reference period.
In relation to securities, the Group has identified two conditions for a security to be considered listed on an active market, namely:

- the security must be traded on a regulated market or on an alternative stock exchange: a listing on a regulated market, therefore, is in itself neither a necessary nor sufficient condition for an active market to be considered as such;
- the price expressed by that market must be "significant", i.e. the result of regular and effective transactions between counterparties who freely decide to buy and sell and are not forced to do so by their particular stress conditions.

In the absence of an active market, for the purposes of determining the fair value of securities, all relevant market information that is in some way available is considered, favouring, where possible, the use of directly observable market parameters such as:

- prices of recent transactions or market contributions/listings available at the valuation date, even if they relate to a market considered inactive;

- valuations provided by the issuer or by a calculation agent or in any case by an external valuation service, even if, since these are not prices resulting from actual market transactions, they are considered with particular caution and are subject to verification by the Bank;
- mark to model type valuations, carried out by discounting the expected future flows of the security taking into account all available information.

With regard to other financial instruments, i.e. unlisted derivatives, the fair value corresponds to the presumed replacement cost obtained from the price of listed derivative contracts with identical characteristics (by underlying, exercise price and maturity) or by discounting future cash flows (certain or estimated) at market rates recorded by information circuits normally used internationally and/or applying best practice valuation models.

(d) Derecognition criteria

Financial assets held for trading are derecognised when the contractual rights on the cash flows arising from such assets expire or when the financial assets are sold with the transfer of substantially all related risks and rewards.
Financial assets sold are derecognised even when the bank retains the contractual right to receive the cash flows deriving from them, but at the same time assumes the contractual obligation to pay the same flows to third parties.
Securities received as part of a transaction that contractually envisages their subsequent sale and securities delivered as part of a transaction that contractually envisages their repurchase are not recorded in or written off the financial statements.

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

(a) Classification criteria

This category includes financial assets that simultaneously meet the following conditions:

- the financial asset is held according to a business model whose objective is achieved through the collection of contractually envisaged cash flows and through selling ("Hold to Collect and Sell" business model);
- the contractual terms of the financial asset envisage, on specific dates, cash flows represented solely by payments of principal and interest on the amount of capital to be repaid (so-called "SPPI test" passed).

This item also includes equity instruments, not held for trading purposes, for which the option to designate at fair value through other comprehensive income was exercised at the time of initial recognition.
Therefore, the following are included in this item

- debt securities that are part of a Hold to Collect and Sell business model and that have passed the SPPI test;
- equity stakes, which cannot be classified as representing control, an affiliation, or joint control and are not held for trading purposes, for which the fair value through other comprehensive income option was chosen;
- loans that are part of a Hold to Collect and Sell business model and that have passed the SPPI test.

Reclassifications to other categories of financial assets are only possible if the entity changes its business model for the management of financial assets. In these cases, which are expected to be highly infrequent, financial assets may be reclassified from the category 'measured at fair value through profit and loss' to one of the other two categories envisaged by IFRS 9 (financial assets measured at amortised cost or financial assets measured at fair value through other comprehensive income). The transfer value is represented by the fair value at the time of reclassification. If assets are reclassified from this category to the amortised cost category, the cumulative profit (loss) recorded in the valuation reserve is adjusted to the fair value of the financial asset at the reclassification date. In the case of reclassification in the category of fair value through profit and loss, the accrued profit (loss) previously recorded in the valuation reserve is reclassified from shareholders' equity to profit (loss) for the year.

(b) Recognition criteria

The initial recognition of debt and equity securities takes place on the "settlement date" and the disbursement date for loans.
Financial instruments are recognised on initial recognition at fair value, which generally coincides with their cost (purchase price) including any transaction costs or income directly attributable to them.

(c) Measurement criteria

Subsequent to initial recognition, financial assets are measured at fair value with the recognition in the income statement of the remuneration of the instrument calculated on the basis of the IRR method, while changes in fair value are recognised in a specific equity item (item 120 - Valuation reserve), contributing to comprehensive income (in item 140 - Financial assets other than equity securities measured at fair value through other comprehensive income), until the financial asset is derecognised or an impairment loss is recognised (in which case a loss is recognised in item 130 - Net value adjustments/reversals for credit risk); at the time of disposal the cumulative profit or loss is then reversed to the income statement under item 100 b) - Income (loss) from disposal or repurchase of financial assets measured at fair value through other comprehensive income.

The equity instruments selected for classification in this category are measured at fair value and the amounts recognised as a contra-entry to equity and contribute to comprehensive income under item 20 - Equity securities measured at fair value through other comprehensive income, and must not be subsequently transferred to the income statement, even in the event of disposal (in the event of disposal, cumulative profits and losses are recognised under item 150 – Reserves). The only component of these equity securities that is recognised in the income statement is represented by the related dividends. Fair value is determined on the basis of the criteria already illustrated for Financial assets measured at fair value through profit and loss.

Financial assets measured at fair value through other comprehensive income - both in the form of debt securities and receivables - are subject to verification of the significant increase in credit risk (impairment) as required by IFRS 9, similar to Financial assets measured at amortised cost, with the consequent recognition in the income statement of a value adjustment to cover expected losses.

All instruments are classified into three classes:

- assets with performance in line with expectations (stage 1 assigned on origination date);
- assets with performance significantly below expectations (stage 2 - performing which showed a deterioration in their creditworthiness);
- non-performing assets (stage 3 or Non-Performing).

The classification must be based on the creditworthiness of the counterparty. The creditworthiness at the date the credit arises shall be compared with the creditworthiness at the valuation date. For assets in the first merit class, a valuation process must be applied to expected losses over a 12-month time period. For assets in classes two and three, the valuation process must be applied throughout the life of the instrument. The process for stages 1 and 2 is generic while it is analytical for NP positions (stage 3). Equity securities are not subject to the impairment test.

(d) Derecognition criteria

Financial assets are derecognised when the contractual rights on the cash flows arising from such assets expire or when the financial assets are sold with the transfer of substantially all related risks and rewards. The economic result of the sale of financial assets is charged to the income statement except for equity instruments.

3 - Financial assets measured at amortised cost

(a) Classification criteria

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

- the financial asset is held according to a business model whose objective is achieved through the collection of contractually envisaged cash flows ("Hold to Collect" business model);
- the contractual terms of the financial asset envisage, on specific dates, cash flows represented solely by payments of principal and interest on the amount of capital to be repaid (so-called "SPPI test" passed).

The following are included in this item once the two requirements set out above have been met:

- loans and advances to banks in various technical forms;
- loans and advances to customers in various technical forms;
- debt securities.

This category also includes operating receivables connected with the provision of financial services and activities. As required by the 7th update of circular no. 262 of the Bank of Italy, issued on 29 October 2021, sight receivables from banks, previously classified among financial assets valued at amortised cost, starting from the 2021 financial statements, are shown in item 10. Cash and cash equivalents.

Reclassifications to other categories of financial assets are only possible if the entity changes its business model for the management of financial assets. In these cases, which are expected to be highly infrequent, financial assets may be reclassified from the category 'measured at amortised cost' to one of the other two categories envisaged by IFRS 9 (Financial assets measured at fair value through profit and loss or Financial assets measured at fair value through other comprehensive income). The transfer value is represented by the fair value at the time of reclassification. In the event of reclassification from the category in question to fair value through profit and loss, the cumulative profit (loss) will be recognised in the income statement. If, instead, assets are reclassified to the fair value through other comprehensive income category, the cumulative profit (loss) will be recognised in shareholders' equity under the appropriate valuation reserve.

(b) Recognition criteria

Receivables are initially recognised at the disbursement date or, in the case of a debt security, at the settlement date, on the basis of the fair value of the financial instrument, which is equal to the amount disbursed, or subscription price, including costs or revenues directly attributable to the instrument and determinable from inception, even if paid at a later date. All charges that are reimbursed by the debtor counterparty or that are attributable to internal administrative costs are excluded. In the case of credit transactions concluded at conditions other than market conditions, the fair value is determined using specific valuation techniques; the difference with respect to the amount disbursed or the subscription price is charged directly to the income statement.

(c) Measurement criteria

Subsequent to their initial recognition, "Financial assets held to maturity" are measured at amortised cost, using the effective interest rate method. The result of the application of this method is posted through profit and loss under item 10. Interest income and similar revenues.
Profits or losses relative to these assets are posted to the income statement when the assets are derecognised or impaired.
When preparing the financial statements or interim reports, positions in this category are subject to impairment, with the value adjustments identified recorded in the income statement.
All instruments are classified into three classes:

- assets with performance in line with expectations (stage 1 assigned on origination date);
- assets with performance significantly below expectations (stage 2 - performing which showed a deterioration in their creditworthiness);
- non-performing assets (stage 3 or Non-Performing).

The classification must be based on the creditworthiness of the counterparty. The creditworthiness at the date the credit arises shall be compared with the creditworthiness at the valuation date. For assets in the first merit class, a valuation process must be applied to expected losses over a 12-month time period. For assets in classes two and three, the valuation process must be applied throughout the life of the instrument.

The process for stages 1 and 2 is generic while it is analytical for NP positions (stage 3). If the financial assets in question are performing (stages 1 and 2), they are subjected to an assessment, aimed at defining the value adjustments to be recorded in the financial statements, at the level of individual credit relationships (or "securities tranches"), on the basis of the risk parameters represented by probability of default (PD), loss given default (LGD) and exposure at default (EAD). The valuation also takes into account the guarantees received in place.
Loans and securities for which no objective evidence of loss has been individually identified fall within the so-called "performing loans" (performing positions) and are subject to collective valuation.
The valuation model for the generic fund is established on the basis of the following formula:

$$ECL = EAD \times PD \times LGD$$

where:

- ECL = Expected Credit Loss
- EAD = Exposure at Default
- PD = Probability of Default
- LGD = Loss given Default

Collective devaluations of securities and receivables are therefore calculated according to the following principles:

- at each reporting date, if the credit risk of a financial instrument has not significantly increased with respect to the date of disbursement or purchase (stage 1), the expected loss for that financial instrument should be measured as the amount of expected losses in the following 12 months;
- at each reporting date, if the credit risk of a financial instrument has significantly increased with respect to the date of disbursement or purchase (stage 2), the expected loss for that financial instrument is measured as the amount of expected losses over the remaining life of the instrument (lifetime);

For the purposes of staging financial assets, each asset is classified at the origination date in "stage 1" and subsequently:

- with regard to securities, the deterioration of three notches on the rating attributed to the instrument itself by external rating agencies, together with a final speculative grade rating, is considered evidence of a significant increase in credit risk, and therefore a move to "stage 2" for the security;
- with regard to loans, the deterioration of three notches on the internal rating assigned to the position is considered

evidence of a significant increase in credit risk. In this regard, it is considered that, in relation to loans, the credit risk of an instrument may not be considered significantly increased if, at the measurement date, the credit risk of the instrument itself is considered low on the basis of the assessments made by the Credit Committee.

The PDs used are estimated starting from the construction of Pit (Point in time) migration matrices from historical databases on which future PDs are built based on simulations of different macroeconomic scenarios. Finally, PD averages weighted by the probability of occurrence of the scenarios are calculated.
The LGDs used are estimated by models that make them Point in Time and forward looking and can be adjusted based on the guarantees received.

Exceptions are commercial credits, for which the simplified approach envisaged by the standard is applied, according to which credit classification takes place directly in stage 2 (therefore no staging activities are envisaged with reference to performing credits), and calculation of the Expected Credit Loss (so-called ECL) lifetime on the basis of a provision matrix mechanism linked to each individual credit relationship, in relation to the status of the fiduciary mandate (the ECL varies in relation to whether the customer relationship is still active or terminated) and the seniority of the receivable (the ECL is increased on receivables with a duration exceeding certain seniority thresholds).

For the classification of non-performing exposures into the various risk categories (bad loans, unlikely to pay, non-performing past-due and/or overdrawn exposures), the Bank and its consolidated companies refer to the relevant regulations issued by the Bank of Italy. Non-performing loans are subject to an analytical valuation process regardless of the amounts involved. The amount of the value adjustment to be made to each loan is equal to the difference between its book value at the time of measurement (amortised cost) and the present value of expected future cash flows, calculated by applying the original effective interest rate. The envisaged cash flows take into account the expected recovery, estimated recovery times and estimated realisable value of any guarantees. Cash flows relative to loans that are expected to be repaid in the short term are not discounted. The original effective rate of each loan is unvaried over time, even if there has been a restructuring of the agreement which has led to a change in the contractual rate and even if the loan becomes, in practice, contractually non-interest-bearing. Impairment losses are posted to the income statement under this item.

(d) Derecognition criteria

Financial assets measured at amortised cost are derecognised when the contractual rights on the cash flows arising from such assets expire or when the financial assets are sold with the transfer of substantially all related risks and rewards.
For all positions classified as bad loans, the Group assesses whether it is appropriate to continue to maintain the bad loan as the out-of-court or legal actions underway allow a reasonable expectation of recovery, even partial, or whether it is appropriate to proceed with a total or partial write-off or de-recognition, respectively, by virtue of the conclusion of the recovery process or the circumstance that there is no reasonable prospect of recovery.
A write-off, in accordance with IFRS 9, is the reduction of the gross book value of the receivable resulting from the acknowledgement that there are no reasonable expectations of its recovery for amounts exceeding those considered collectable or already collected.
It does not imply a waiver by the bank of its legal right to recover the loan and must be effected if all the information available indicates that the debtor is unable to repay all or part of the amount of the debt.
The criteria that the Group has identified in order to determine whether a position is among those to be assessed for the purposes of a possible write-off depend on the possible presence of bankruptcy proceedings, the levels of coverage and the seniority of the position in the bad loan status.

4 – Hedging transactions

The Banca Profilo Group avails itself of the possibility, provided for by IFRS 9, to continue to fully apply the provisions of IAS 39 on hedge accounting.
Hedging transactions are defined as the designation of a financial instrument capable of neutralising, in whole or in part, the profit or loss (related to market risks, such as interest rate risk, exchange rate risk or price risk, or the issuer's credit risk) deriving from a change in the fair value or cash flows of the hedged instrument. The hedging intent must be formally defined, not retroactive and be consistent with the risk hedging strategy set out by the Group's Management. At each balance sheet and mid-year reporting date, it is required to verify that the hedge implemented through the use of the

derivative instrument is highly effective in offsetting changes in fair value or expected cash flows of the hedged item; this verification must be prospective and retrospective.
Initial recognition of hedging derivatives takes place on the "trade date", based on their fair value on that date.
The accounting of derivatives as hedging instruments is permitted by IAS 39 only under specific conditions, i.e. when the hedging relationship is:

- clearly defined and documented;
- measurable;
- currently effective.

The hedging relationship ceases when

- the derivative expires, is sold, terminated or exercised;
- the hedged item is sold, expires, or is repaid;
- it is no longer highly likely that the hedged future transaction will occur.

The fair value of the derivative financial instruments designated as hedging is recognised under item 50 - Hedging derivatives under assets if the fair value of the derivative is positive, while if the fair value of the hedging instrument is negative it is recognised under item 40 - Hedging derivatives under liabilities.
IAS 39 recognises three types of hedging:

- hedging of the fair value of an asset or liability already recorded in the financial statements; in this case the profit or loss deriving from changes in the fair value of the hedging instrument is immediately reflected in the income statement, as are the profits or losses from the valuation of the hedged instrument;
- cash flow hedging; in this case the effective portion of the profit or loss on the hedging instrument is initially recognised in shareholders' equity (recognising it in the income statement as the hedged instrument reflects the related flows in the income statement); the ineffective portion of the profit or loss on the hedging instrument is instead recognised directly in the income statement;
- hedging of a net investment in a foreign entity; the accounting is the same as for cash flow hedging transactions.

5 – Equity investments

The Banca Profilo Group does not hold equity stakes classifiable under this item.

6 – Property, plant and equipment

(a) Classification criteria

These are property, plant and equipment (technical plant, furniture, furnishings and equipment of all kinds) used in the business and which are expected to be used for more than one period. Property, plant and equipment include the costs of leasehold improvements; when these costs can be separated from the assets themselves and if they do not have independent functionality and usability but future benefits are expected from them, they are recorded under "other assets" and are depreciated over the shortest period between the expected useful life of the improvement and the residual lease term.
As from 1 January 2019, the item also includes a) rights of use acquired by the lessee through lease contracts and relating to the use of a tangible asset, b) assets granted under operating leases by the lessor and c) improvements and incremental expenses incurred on owned assets or rights to use property, plant and equipment relating to lease contracts.

(b) Recognition criteria

Property, plant and equipment are recorded at cost, including any additional charges directly attributable to the purchase and start-up of the asset. Non-recurring expenditures for maintenance which involve an increase in future economic benefits are booked as an increase in the value of the assets, while expenses for ordinary maintenance are booked to the income statement. Property, plant and equipment, including rights of use acquired through lease contracts, are recognised only when future economic benefits associated with the asset acquired are identified, as well as when the cost of the asset acquired can be reliably determined.
The rights of use acquired through lease contracts arise from the lessee's commitment to pay a fee for a certain period of time for the use of a tangible asset. The right of use is recorded in the Balance Sheet on the date on which the lease contract commences, i.e. on the date on which the lessee can exercise the right of use. The book value of the right of use is determined considering the sum of the financial liability for the lease, the initial direct costs as well as any costs that the lessee will have to incur to restore the leased asset. At the same time, financial liabilities measured at amortised cost will include a financial liability arising from the signing of the lease contract, calculated as the present value of the payments to which the lessee has committed, discounted at the interest rate implicit in the contract or at the lessee's incremental borrowing rate.

For the purpose of recording the right of use deriving from a lease contract, components not directly related to the lease, such as, for example, ancillary services provided by the lessor, must be separated and recognised in the income statement in the financial year in which they are accrued. The lessee is exempt from the recognition of the right of use deriving from a lease contract if the contract is short-term (with a residual term of 12 months or less) and does not provide for an option to purchase the asset by the lessee, and if the asset covered by the contract is of low value. When registering the right of use, an assessment is made of the expected duration of the contract, also taking into account the presence of extension options and termination options, as well as the relative probability of their exercise.

(c) Measurement criteria and revenue recognition criteria

Property, plant and equipment are valued at cost less accumulated depreciation and any impairment losses in accordance with IAS 16. The same criterion is also adopted for investment property, having opted for the option of valuation after cost.
Property, plant and equipment are systematically depreciated over their useful life, understood as the period of time over which the asset is expected to be usable by the company, using the straight-line method. Works of art are not subject to depreciation as their value is generally expected to increase with the passage of time.
In view of the fact that property, plant and equipment may include components with different useful lives, land, whether separate or included in the value of the building, is not subject to depreciation as a fixed asset with an indefinite useful life.
At each balance sheet or interim reporting date, in the presence of situations that indicate the existence of impairment losses, the recoverable value of the asset, which corresponds to the greater of its value in use (current value of the economic functions of the asset) and its exchange value (presumed disposal value net of transaction costs) is compared with its book value net of depreciation. Any adjustments are posted to the income statement under item 210 "Net value adjustments/reversals on property, plant and equipment". Where the reasons for impairment cease to exist, a reversal is made, which may not exceed the value that the asset would have had, net of depreciation in the absence of previous impairment losses.
With reference to the rights of use resulting from the application of IFRS 16, during the term of the contract from which the right of use originates, it is necessary to restate the liability recorded on the liabilities side of the balance sheet if there are changes in the payments due for the contract; in return, the book value of the right of use will be modified by the amount equal to the restatement of the liability.

(d) Derecognition criteria

Property, plant and equipment is derecognised from the balance sheet upon disposal, or when the asset is permanently removed from use, and no future economic benefits are expected from its disposal. Gains and losses deriving from the disposal or sale of property, plant and equipment are calculated as the difference between the net sale price and the book value of the asset and are recorded in the income statement on the same date in which they are eliminated from the accounts.
As far as the right of use deriving from lease contracts is concerned, it is derecognised from the Balance Sheet at the end of the contract.

7 – Intangible assets

(a) Classification criteria

IAS 38 defines intangible assets as non-monetary assets, without physical substance but identifiable, used in the performance of the company's business and with a long-term duration. The characteristics necessary to meet the definition of intangible assets are:

- identifiability;
- control of the resource in question;
- existence of future economic benefits.

In the absence of one of the aforementioned characteristics, the expenditure to acquire or generate the same internally is recognised as a cost in the year in which it is incurred. Intangible assets include software for long-term use and goodwill.
Goodwill is classified under intangible assets. Goodwill represents the positive difference between the purchase cost and the fair value of assets and liabilities acquired as part of business combinations.

(b) Recognition criteria

Intangible assets are recorded at purchase cost including any additional charges and increased by subsequent expenses incurred to increase their initial economic functionality.

(c) Measurement criteria

Intangible assets of limited duration are valued at cost net of amortisation, recorded under item 220 "Net value adjustments/reversals on intangible assets", as governed by IAS 38.

At the end of each financial year or interim period, in the presence of situations indicating the existence of lasting impairment losses, the recoverable value of the asset is estimated, with the difference between the book value of the asset and its recoverable value recognised in the income statement under item 220 "Net value adjustments/reversals on intangible assets".
Intangible assets with an indefinite useful life, such as goodwill, are not amortised but subjected to an impairment test at least once a year, even if no indication of significant impairment has been found.
With the exception of goodwill, for which the impairment losses found can no longer be reinstated in subsequent years, the other intangible assets previously written down may be reversed, but the new book value may not exceed the net book value that would have been determined at the same date in the absence of impairment in previous years.

(d) Derecognition criteria

Intangible assets are derecognised following disposals or when they have exhausted their full economic functionality and no future economic benefits are expected.

Intangible assets – Goodwill

(a) Classification criteria

Goodwill included in intangible assets, recognised in accordance with the criteria established by IFRS 3, represents the positive difference between the purchase cost and the fair value, at the same date, of the assets and liabilities acquired as part of business combinations.

(b) Recognition criteria

An intangible asset can be recorded as goodwill when the positive difference between the fair value of the assets acquired and the purchase cost of the equity investment (including additional charges) is representative of the future income generating capacity of the equity investment (goodwill). If the difference proves to be negative (badwill) or in the event that the goodwill is not justified by the equity investment's future income capacity, said difference is recognised directly in the income statement.

(c) Measurement criteria

Every year (or whenever there is evidence of impairment) a test is carried out to verify the adequacy of the value of goodwill (impairment test). In this regard, the cash generating unit to which goodwill is allocated is identified, known as CGU, which represents the minimum level at which goodwill is monitored at Group level in accordance with the business model adopted.
The amount of the impairment loss is determined by the difference between the book value of goodwill and its recoverable value, if lower. This recoverable value is equal to the higher of the fair value of the cash generating unit, net of any selling costs, and its value in use. The resulting value adjustments are posted to the income statement under item 270 "Value adjustments to goodwill". These impairment losses can no longer be reversed in subsequent years.

(d) Derecognition criteria

Intangible assets are derecognised from the balance sheet upon disposal or when no future economic benefits are expected.

Allocation of the cost of a business combination to the assets acquired and to the liabilities and contingent liabilities assumed

The acquiring entity shall:

d) recognise goodwill acquired in a business combination as an asset;
e) measure this goodwill at its cost, considering that it represents the excess of the cost of the business combination over the acquiring entity's interest in the fair value of the identifiable assets, liabilities and contingent liabilities.

Goodwill acquired in a business combination represents a payment made by the acquiring entity in anticipation of future economic benefits from assets that are not individually identifiable and cannot be recognised separately.
After initial recognition, the acquiring entity measures the goodwill acquired in a business combination at its cost, net of accumulated impairment losses.
Goodwill acquired in a business combination is an asset with an indefinite useful life and should not be amortised. Instead, it is required to verify whether goodwill has been impaired, on an annual basis, or more frequently in the event of specific events or changed circumstances that indicate that it may have been impaired, in accordance with the relevant accounting standard.
The standard states that an asset, including goodwill, is impaired when its recoverable value, defined as the higher of its fair value less selling costs and its value in use, as defined in paragraph 6 of IAS 36, is lower than its book value.
For the purposes of the impairment test, goodwill must be allocated to cash-generating units or to groups of units (so-called CGU), in compliance

with the maximum aggregation constraint which cannot exceed the business segment identified pursuant to IFRS 8.

8 – Non-current assets and disposal groups held for sale

Item 120 of the Balance Sheet assets "Non-current assets and groups of assets held for sale" and item 70 of the Balance Sheet liabilities "Liabilities associated with assets held for sale" include non-current assets or groups of assets and liabilities for which the Bank has decided to proceed with disposal, and for which disposal is assessed as highly probable. In accordance with the provisions of the IFRS 5 accounting standard, the valuation is carried out at the lower of the book value and the fair value net of the costs to sell. Only some types of assets are exceptions for which it is expressly required that the valuation criteria envisaged by the respective accounting standards be applied (for example, IFRS 9 as regards the valuation of financial assets).

The impact on the income statement of discontinued operations is recognised, net of the related tax effect, in item 320 "Profit/(loss) from discontinued operations net of taxes".

9 – Current and deferred taxes

Current taxes are determined by applying the tax rates and tax regulations in force and, to the extent that they have not been paid, are recognised as a liability. Income taxes are posted to the income statement, excluding those relating to items directly credited or charged to shareholders' equity. Income tax provisions are determined on the basis of a prudential forecast of current tax expense, deferred tax assets and liabilities.
With regard to deferred taxation, the balance sheet liability method was adopted. In particular, prepaid and deferred taxes are calculated on the basis of temporary differences (without time limits) between the value attributed to an asset or liability according to statutory criteria and the corresponding value adopted for tax purposes.
Deferred tax assets are recognised in the financial statements to the extent that there is a likelihood of their recovery, assessed on the basis of the Bank's ability to continuously generate positive taxable income. They are recorded under item 110 b) of the assets. Deferred tax liabilities are recorded under item 60 b) of liabilities and represent the tax charge corresponding to all taxable temporary differences existing at the end of the year.
Deferred tax assets and deferred tax liabilities are constantly monitored and are recognised at the tax rates that are expected to apply in the year in which the tax asset will be realised or the tax liability settled, based on the tax rates and tax regulations in force. The balancing entry for accounting assets and liabilities, both current and deferred, generally consists of the income statement under item 300 "Tax on income for the year from continuing operations".
In addition, the tax reserve is adjusted to cover the charges which might result from any already notified tax assessments or litigation pending with the tax authorities.

10 – Provisions for risks and charges

Commitments and guarantees issued

Sub-item a) commitments and guarantees issued includes provisions for credit risk recognised against commitments to disburse funds and guarantees issued, which fall within the scope of application of the rules on impairment pursuant to IFRS 9. For these cases, in principle, the same allocation methods are adopted between the three stages (credit risk stages) and calculation of the expected loss shown with reference to financial assets measured at amortised cost or measured at fair value through other comprehensive income.

Pension and similar obligations

The provisions for risks and charges referred to in liability item 100 b) include pensions funds, i.e. provisions for employee benefits to be paid out after the end of the employment relationship, which are linked to company agreements and qualify as defined benefit plans. A defined benefit plan provides certain benefits linked to factors such as the beneficiary's age, years of service and the remuneration policies adopted by the company. As a result, the company bears the actuarial and investment risk. The obligations incumbent on the company are determined by discounting future payments in proportion to the variables previously stated (age, years of service rendered) in addition to other actuarial variables such as life expectancy and seniority at the time of termination of employment, and consequently accounted for in accordance with IAS 19 Revised: actuarial gains and losses arising from the measurement of defined benefit liabilities are recorded as a contra-entry to shareholders' equity under item "120. Valuation reserves" and shown in the Statement of comprehensive income.

Other provisions
Sub-item c) other provisions for risks and charges include provisions made for legal or employment obligations or for disputes, including those tax-related, arising from a past event for which it is probable that economic resources will be required to fulfil the obligations, provided that a reliable estimate can be made of the amount involved. Provisions are determined in order to represent the best estimate of the expenditure required to meet obligations. In determining the estimate, the risks and uncertainties relating to the facts and circumstances under consideration are taken into account.

11 – Financial liabilities measured at amortised cost

(a) Classification criteria
The liabilities included here are Deposits from banks and Deposits from customers; they consist of the various financial instruments through which the Bank and its subsidiaries realise interbank and customer funding, net of any amounts repurchased.
Interest expenses are recorded in the income statement under item 20 "Interest expenses and similar charges".

(b) Recognition criteria
The liabilities in question are recorded upon receipt of the amounts collected or, in the case of debt securities, at the time of issue or at the time of a new placement, or cancelled, even in the case of repurchase, on the "settlement date" principle and cannot be transferred to the portfolio of liabilities held for trading. The initial recognition is carried out on the basis of fair value, normally equal to the amount collected or issue price, adjusted for any costs and revenues directly attributable to the various collection or issue transactions. Internal administrative costs are excluded. The fair value of any financial liabilities issued at less than market conditions is estimated and the difference with respect to the market value is booked directly to the income statement. Structured securities are separated into their constituent elements, which are recorded separately, when the derivative components implicit in them have an economic nature and risks different from those of the underlying securities and can be configured as autonomous derivative instruments.

(c) Measurement criteria
After initial recognition, the valuations of financial liabilities are based on the principle of amortised cost using the effective interest rate method, with the exception of short-term liabilities where the time factor is negligible, which remain recognised at the value collected and any costs charged to the income statement on a straight-line basis over the contractual duration of the liabilities.

(d) Derecognition criteria
Financial liabilities are derecognised upon maturity or extinction. Derecognition also occurs when previously issued securities are repurchased; the difference between the book value of the liabilities and the amount paid to purchase them is recorded in the income statement. A new placement in the market of own securities after their repurchase is considered as a new issue and posted at the new price of placement, with no impact on the income statement.

12 - Financial liabilities held for trading

(a) Classification criteria
This item includes trading derivatives with a negative fair value, including implicit derivatives present in structured financial instruments and separated from them for accounting purposes. Also included are any "technical overdrafts" arising from trading in securities.
The item also includes, starting from the first quarter of 2021, the certificates issued by Banca Profilo, in consideration of the fact that these are financial instruments issued with the aim of making a short-term profit, to be kept also through active management of the product and of the related management hedges, in the presence of the repurchases that took place before the maturity of the instrument. In relation to the complexity of the strategies underlying these products, and with the intent of pursuing a substantial representation based on the prevalence or otherwise of the guaranteed component over the variable component, depending on the performance of the underlying, the certificates are accounted for in financial liabilities held for trading among "other securities" or as "financial derivatives" depending on whether or not they provide for the return of the premium unconditionally above a certain threshold with respect to the premium initially paid by customers.

(b) Recognition criteria
Derivatives are recognised on the "trade date" while transactions in securities are recognised on the "settlement date".
Financial liabilities held for trading are initially recorded at fair value, i.e. at purchase price.
The initial recognition of the certificates is at fair value, i.e. at the sale price. The recognition is carried out on the trade date in the case of derivative instruments or on the settlement date in the case of transactions in securities.

(c) Measurement criteria

Subsequent to initial recognition, financial liabilities held for trading are measured at fair value determined in the manner described in the section on "Financial assets measured at fair value through profit and loss". Financial instruments for which it is not possible to determine the fair value reliably in accordance with the above, are kept at cost. The results of measurement and trading are recorded in the income statement under item 80 "Net profit (loss) from trading".

As regards the certificates issued by Banca Profilo, even though they are traded on the SeDeX Market, it does not include all the characteristics to be considered an "active market" and therefore the valuation of the certificates is carried out using a mark-to-model valuation technique determined by two components: performance of the underlying and creditworthiness of the issuer. In this way, for the purposes of the "fair value determination hierarchy", the certificates are classified at "level 2".

(d) Derecognition criteria

Financial liabilities held for trading are derecognised when the contractual rights to the cash flows deriving from the liabilities expire or when the financial instruments are sold.

13 – Financial liabilities designated at fair value

Banca Profilo and its subsidiaries currently have no liabilities classifiable under this item.

14 – Foreign currency transactions

(a) and (b) Classification and Initial Entry Criteria

Foreign currency transactions are represented by all assets and liabilities denominated in currencies other than the euro, which is the functional currency used by the parent company Banca Profilo corresponding to that of the economic environment in which it operates. They are initially recognised in the currency of account using the spot foreign-exchange rates on the date of each transaction.

(c) Measurement criteria

At the end of each financial year or interim period, financial statement items in foreign currency are measured as follows:

- monetary items are converted using the exchange rate on the closing date;
- non-monetary items valued at historical cost are converted using the exchange rate on the date of the transaction;
- non-monetary items that are measured at fair value are converted at the exchange rate on the closing date.

The exchange rate differences resulting from settlement of monetary items or from the conversion of monetary items at rates other than the initial conversion rates, or at the conversion rates of the prior financial statements, are recorded in the income statement under item 80 "Net profit (loss) from trading".

Exchange rate differences relating to items for which measurements are recognised in shareholders' equity, for example Financial assets measured at fair value through other comprehensive income, are recognised in the income statement.

When a profit or a loss on a non-monetary element is recognised in shareholders' equity, the exchange rate difference in relation to said element is also posted to shareholders' equity. Conversely, when a profit or loss is recognised in the income statement, the relative exchange rate difference is also recognised there.

15 - Insurance assets and liabilities

Banca Profilo and its subsidiaries currently have no assets and liabilities classifiable under this item.

16 - Other information

Employee severance indemnity

On the basis of the new rules governing employee severance indemnity, introduced by the Italian Legislative Decree of 5 December 2005, the employee severance indemnity, referred to under item 110 of liabilities as regards the amounts accrued up to 31 December 2006, is configured as a defined benefit plan and is therefore subject to actuarial valuation using the Projected Unit Credit Method (PUCM), which provides for the projection of future disbursements on the basis of historical, statistical and probabilistic analyses as well as the adoption of appropriate demographic technical bases; the financial discounting of flows is also based on a market interest rate. This actuarial calculation is carried out by independent actuaries.

The costs for the plan are recorded among personnel expenses (item 180 "Administrative expenses; a) personnel expenses") as the net amount of contributions paid, contributions of prior periods not yet recorded, accrued interest, expected revenues from the assets of the plan. Actuarial gains and losses, as required by IAS 19, are recognised in a valuation reserve.

Treasury shares

Any treasury shares held are recorded as a reduction of shareholders' equity.
Gains or losses resulting from the purchase, sale, issue or cancellation of treasury shares are not recorded in the income statement, but are recorded in shareholders' equity.

Interim dividends

In light of the economic and equity results achieved in the first nine months of the year, and also thanks to the extraordinary components deriving from the sale of the Swiss subsidiary, as well as taking into account the lack of recommendations expressed by the competent Authorities on the subject of dividends, the Board of Directors of the Parent Company, in the meeting of 4 November 2021, having ascertained the existence of all the conditions envisaged by the law, resolved the distribution of an interim dividend to be made on 24 November 2021 based on the economic results of Banca Profilo S.p.A. for 2021. The approved dividend is equal to € 0.016 per share, gross of statutory deductions where applicable, as there are no contraindications deriving from the foreseeable results for the fourth quarter of 2021, also in consideration of the capital ratios recorded as at 30 September 2021; in addition, the auditing company Deloitte & Touche S.p.A. issued the opinion required by article 2433-bis of the Italian Civil Code. The total amount of the advance is equal to € 10.5 million and is included in the specific item of the Balance Sheet Liabilities provided for by circular no. 262 of the Bank of Italy called "Advances on dividends".

Costs and revenues

Costs are recorded in the accounts at the time they are incurred. Costs directly attributable to financial instruments valued at amortised cost and determinable from the outset, regardless of when they are settled, are charged to the income statement by applying the effective interest rate, for a definition of which reference should be made to "Financial assets measured at amortised cost".
Revenues, in compliance with IFRS 15, derive from contractual obligations with customers and are recognised in the financial statements only if all of the following criteria are met simultaneously:

- the parties to the contract have approved the contract and are committed to fulfilling the relative obligations;
- the entity can identify the rights of each of the parties as regards the goods or services to be transferred;
- the entity can identify the payment terms of the goods or services to be transferred;
- the contract has commercial substance (risk, timescale or amount of future cash flows of the entity are destined to change after the contract);
- the entity is likely to receive the consideration to which it is entitled in exchange for the goods or services that will be transferred to the customer. In evaluating the likelihood of receiving the amount of the consideration, the entity must only take account of the customer's intention and capacity to pay the amount of the consideration when due.

If the consideration is variable, the amount of the consideration to which the entity will be entitled may be recognised if it can be reliably estimated and it is highly probable that the consideration will not be reversed in subsequent periods.
The consideration for the contract, the collection of which as mentioned above must be probable, is allocated to the individual obligations arising from the same. If a contract with customers provides for the provision of a package of services to the customer against a total annual fee, these services constitute different "performance obligations" for the purposes of recording the consideration in the financial statements, among which the Bank allocates the price of the transaction on the basis of the relevant separate sale price.
Revenues are recognised over time, depending on the timing of fulfilment of the obligations, either in a lump sum or alternatively over the duration of the period for fulfilment of the various obligations.

With reference to revenues from financial assets, the following should be noted:

- Interest is recognised according to a time criterion that considers the actual yield of the asset. Negative income components accrued on financial assets are recorded under "Interest expenses and similar charges"; positive income components accrued on financial liabilities are recorded under "Interest income and similar revenues".
- Interest on arrears is posted to item "10. Interest income and similar revenues", exclusively at the moment it is actually collected.
- Dividends are accounted for when the right of shareholders to receive the payment arises.

Costs or revenues deriving from the buying/selling of financial instruments, determined by the difference between the consideration paid or collected of the transaction and the fair value of the instrument are booked to the income statement at the time of recognition of the financial instrument solely where the fair value is determined:

- by making reference to current and observable market transactions regarding the same instrument;
- through valuation techniques that use, as variables, solely data deriving from observable markets.

Employee stock option plans

The stock option plans are divided into two types, with different accounting methods depending on the characteristics of the plan:

- equity settled: these are plans in which the beneficiary is granted the right to purchase shares in the company at a fixed price if specific conditions are met. In such cases, the fair value of the option, determined at the time it is granted, is recognised as a cost in the income statement over the life of the plan, with a contra-entry increase in equity reserves;
- cash settled: these are plans in which the beneficiary directly receives the monetary value of the benefit deriving from the theoretical exercise of the stock option. The fair value of the option, determined at the time it is granted, is recognised as a cost in the income statement over the life of the plan, with a contra-entry payable in the balance sheet. The relative entitled amounts of the total cost are recalculated at each reporting date on the basis of the fair value recognition adjustment which, when due, is equivalent to the payment to be made to the employee.

TLTRO III financing operations

On 15 June 2020, the parent company Banca Profilo adhered to the fourth auction of the TLTRO III transaction (Targeted Longer Term Refinancing Operation). The interest rate relating to each transaction is set at a level equal to the average level of the Eurosystem's main refinancing operations (MRO), currently equal to 0%, except, in the case of the fourth auction, for the period between 24 June 2020 and 23 June 2022, defined as the "special interest rate period", for which a lower rate of 50 basis points will be applied, and a further reduction in the interest rate for banks that provide net eligible loans greater than a reference value called "benchmark net lending" and defined on the basis of the dynamics of disbursements observable in the period between 1 March 2020 and 31 March 2021. This further reduction corresponds to the average rate on deposits with the central bank (Deposit Facility Rate), currently equal to -0.5%, and is valid over the entire duration of the operation, with the exception of the "special interest rate period", to which is added an automatic reduction of 50 basis points. In any case, the cap of the transaction rate cannot exceed -1%.

In December 2021, Banca Profilo repaid in advance the amount received as part of the fourth TLTRO-III auction, and at the same time adhered to the tenth auction. Following the early redemption, the additional benefit for exceeding the net lending benchmark for the period from 23 June 2021 to the early redemption date no longer applies.

As regards the interest rate applicable to the tenth auction, in the event that the net eligible loans in the additional special reference period (from 1 October 2020 to 31 December 2021) are at least equal to the respective net lending benchmark, the rate applied will be equal to the average rate on deposits with the central bank, with the exception of the period between 24 June 2021 and 23 June 2022 (additional special interest rate period), in which the rate will be 50 basis points lower, and in any case not higher than -1%. If the net eligible loans in the additional special reference period are lower than the respective net lending benchmark, the average rate of the main refinancing transactions calculated over the entire duration of the respective transaction will be applied, with the exception of the additional special interest rate period, in which the average rate of the main refinancing transactions in the additional special interest rate period reduced by 50 basis points will be applied.

Banca Profilo applies the accounting treatment defined pursuant to IFRS 9 to TLTRO III transactions. In particular, the Bank has agreed that:

- the financial liability TLTRO III represents a financing instrument valued at amortised cost pursuant to IFRS 9.4.2.1.;
- the related interest is calculated using the "effective interest method", which divides the interest income over the period of application of the "effective interest rate";
- the refinancing conditions defined by the ECB are considered as "market rates" in the context of Eurosystem monetary policy measures, therefore:
    - interest is recognised from time to time on the basis of the interest rate of the instrument for each period as required by paragraph B5.4.5 of IFRS 9;
    - any revisions to the estimate of cash flows would be recognised in application of the provisions of paragraph B5.4.6 of IFRS 9, with the recalculation of the amortised cost of the financial liability.

For the purposes of preparing the financial statements at 31 December 2021, having exceeded the net lending benchmark at the end of the observation period, the additional contribution with respect to the average "Deposit Facility Rate" applicable to the tenth TLTRO auction is equal to € 11 thousand overall.

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

A.3.1 Reclassified financial assets: change in business model, book value and interest income

The Banca Profilo Group has not changed its "business model" relating to the management of financial instruments, defined on first-time adoption of IFRS 9. No reclassifications were carried out among financial assets during the year.

A.3.2 Reclassified financial assets: change in business model, fair value and effects on comprehensive income

The Banca Profilo Group has not changed its "business model" relating to the management of financial instruments, defined on first-time adoption of IFRS 9. No reclassifications were carried out among financial assets during the year.

A.3.3 Reclassified financial assets: change in business model and effective interest rate

The Banca Profilo Group has not changed its "business model" relating to the management of financial instruments defined at the time of the first application of IFRS 9. No reclassifications were made between financial assets during the year.

A.4 – Information on fair value

QUALITATIVE INFORMATION

A.4.1 – Fair value level 2 and 3: measurement techniques and inputs used

If a financial instrument cannot be listed on an active market, Risk Management determines its fair value by applying a measurement technique. For this purpose, all relevant market information available in any way shall be taken into account. As part of the process of determining the fair value of a security not traded in an active market, the following measurement techniques are commonly applied:

- prices of recent transactions or market contributions/listings available at the valuation date, even if they relate to a market considered inactive;
- measurements provided by the issuer or by a calculation agent or in any case by an external evaluation service in the specific manner described below;
- mark-to-model measurements, i.e. obtained using a pricing model appropriate for the type of financial instrument to be valued, fed by market data relevant to the valuation.

When calculating the fair value of a financial instrument not listed on an active market, first of all the existence of recent transactions on the same or a similar financial instrument (by issuer, duration and degree of subordination) shall be verified. Appropriate adjustments are made to the price of these transactions in order to determine their fair value:

- time differences between the observed transaction day and the measurement day: adjustments shall take account of movements in market factors that have occurred in the meantime (e.g. movements in interest rate curves) or changes in factors specific to the financial instrument being measured (e.g. downgrading of the issuer of a security);
- differences between the instrument being measured and the similar instrument on which the transaction was recorded: the adjustments take into account the different duration of the two instruments or the greater complexity of one compared to the other (which may lead market participants to request a higher liquidity premium on one instrument compared to the other, especially in particular market conditions).

The measurements provided by the issuer or by a calculation agent or external valuation service, since they are not prices resulting from actual market transactions, are considered with particular caution and subject to consistency checks by the Bank, based on available market information.
The most commonly used measurement models are the so-called discounted cash flow models. There are two different methodologies in this regard: a) calculation of contractual cash flows and subsequent discount with a market return consistent with the riskiness of the financial instrument; b) calculation of cash flows already weighted for the probability of survival of the counterparty (so-called non-default probability) and subsequent discount on the basis of a free risk rate of return. The factors that are taken into account in determining the risk-adjusted rate of

return or the probability of survival of the counterparty are as follows:

- the maturity date of the expected cash flows;
- any uncertainty regarding the amount or maturity of cash flows;
- the credit risk;
- the liquidity of the instrument;
- the reference currency in which payments are to be made.

With particular reference to credit risk, the spreads recorded on listed securities of the same issuer with similar duration and liquidity characteristics, those recorded on credit default swaps on the same issuer with the same maturity or those recorded on issuers with similar risk characteristics (by rating, sector, country) are alternately taken into account.

In the case of the use of a measurement technique that includes a parameter not directly observable on a market (for example, the liquidity spread of a security or the volatility for some unlisted options), this parameter will normally be determined on the basis of the price of the initial transaction, so as to have a valuation on the day of the transaction equal to the actual price of the same (so-called day one profit equal to zero). In such cases, the non-observable parameter shall be kept constant in subsequent valuations unless other transactions on the same or a similar instrument give clear indications that market conditions have changed since the initial situation.

A.4.2 Measurement processes and sensitivity

The financial instruments classified as level 3 amount to a total gross value of € 10.1 million in Assets. Based on the criteria set out in the paragraph below, the following were classified as fair value level 3:

- inflation zc securities which, in the sensitivity tests carried out, following a spread movement of 10 basis points, recorded a price change determined at model level of more than 1% (for a total value of the portfolio in the region of € 1.0 million);
- two minority shareholdings classified under financial assets valued at fair value with an impact on comprehensive income, in fintech companies with which Banca Profilo has developed product partnerships with reference to the development of digital channels and Robo-management. The total book value of these investments is equal to € 9.1 million as at 31 December 2021. The sensitivity analysis on the assumptions underlying the valuation places their value in a range that fluctuates between € 8.7 and 9.6 million.

A.4.3 Fair value hierarchy

Financial instruments are classified in three hierarchical levels, depending on how their fair value is determined and the observability of the parameters used for their valuation.

In particular, the three classes of fair value are as follows:

- Level 1: financial instruments listed on active markets and valued on the basis of their market price, without adjustment. By way of example, this category usually includes listed shares, government securities, bonds listed on active markets (identified on the basis of the parameters indicated below) and regulated derivatives;
- Level 2: financial instruments valued on the basis of techniques and models that use observable input data on an active market; instruments in this category are valued using: a) market prices of similar instruments or prices of the same instruments found on markets considered inactive; b) valuation techniques where all inputs that have a significant impact on the valuation are directly or indirectly based on observable market data. By way of example, this category includes some unlisted or delisted shares, bonds listed on markets deemed inactive for which there are in any case recent market transactions or contributions deemed sufficiently indicative, the majority of the over-the-counter derivatives concluded by the Bank;
- Level 3: financial instruments valued using techniques and models using at least one input parameter that is not based on observable market data and that has a significant impact on their overall valuation. The significance of the impact is judged on the basis of predetermined thresholds and a sensitivity analysis. By way of example, this category may include some unlisted or delisted shares, some structured bonds not listed on active markets, structured or exotic over-the-counter derivatives for the valuation of which an input parameter that cannot be inferred from market data is significant.

For the purpose of identifying Level 1 instruments, a financial instrument shall be considered to be listed on an active market if prices are readily and regularly available and represent actual market transactions, which take place in normal trading

between two counterparties. In relation to this definition, the Bank has identified two conditions for a financial instrument to be considered listed on an active market:
1. the instrument must be traded on a regulated market or an alternative stock exchange;
2. the price expressed by that market must be "significant", i.e. the result of regular and effective transactions between counterparties who freely decide to buy and sell and are not forced to do so by their particular stress conditions.

The listing on a regulated market, therefore, is in itself neither a necessary nor sufficient condition for an active market to be considered as such. Verifying the significance of the price and the degree of market activity is a complex process, which requires the intervention of a subjective valuation: it is not possible, in fact, to establish rigid rules, to be applied automatically regardless of market conditions and/or the specific characteristics of the financial instrument to be valued. The judgement, however, although subjective, is not arbitrary and is expressed taking into account a series of objective reference parameters, of a qualitative and quantitative nature, relating to the size and depth of the market and the price formation mechanisms. In particular, the following parameters are taken into account:
- trading volumes and frequency of trading: where available, these parameters constitute a direct index of market depth and the significance of the listing price;
- price variability: the measurement of price variations over time must be compatible with that of securities of the same currency, similar duration and creditworthiness; in other words, the price must vary according to a dynamic traceable to the market variables that determine its return and must not present discontinuities of such a magnitude that they cannot be justified by the trend of the relevant market factors;
- price availability and frequency of updating: the historical price series must be continuously and frequently updated; in principle, this condition is deemed to be met if, over the last month, different prices have been found in at least half of the working days of the period;
- in the case of a security being traded on an alternative stock exchange, existence of a sufficient number of market makers and relevant listings: the security must be traded by a sufficient number of intermediaries to ensure the constancy of price formation and its effective executability; in principle, this condition is deemed to be met if: i) listings from at least three different brokers are available; ii) the bid/ask spreads of the brokers' listings are not more than 1%; iii) the mid-prices of the different brokers are within a range not exceeding 1%.

From an organisational point of view, the classification according to the fair value hierarchy of all financial instruments included in the Bank's portfolio is carried out by the Risk Management Function.

With particular reference to several bond index CDSs, which are part of an arbitrage strategy (in which Banca Profilo simultaneously takes a CDS position on an index and a CDS opposite sign position on the single names that make up the same index), the model valuation is based on the following steps:
1. on the day of the transaction, on the basis of the upfront collected on the "package" (index CDS + single names CDS) and therefore of the difference between the market value of the index CDS and the sum of the market values of the single names CDS, the amount of the skew expressed in basis points on the credit curve is determined; this value, which cannot be observed in the market prices and therefore not detectable except with a new transaction on the same "package", is kept constant in subsequent valuations;
2. on the day of the valuation, based on the sum of the current market values of the single names CDS, the intrinsic spread is determined, i.e. the credit curve that would determine a CDS valuation on the index equal to the sum of the single names CDS valuations;
3. to the intrinsic spread determined in point 2), the skew referred to in point 1) is then added, calculated on the day of the transaction and kept constant; the credit curve thus obtained (sum of the current intrinsic spread and the original skew) is that used for the index CDS model valuation.

A 4.4 Other information

Almost all transactions in OTC derivatives are backed by collateralisation contracts with daily margining that substantially mitigate counterparty risk. The criteria for the valuation of the derivative portfolio take account of these guarantees with particular reference to the determination of CVA and DVA. For information on the so-called "highest and best use" required by IFRS 13, please refer to that described at the end of table "A.4.5.4".

QUANTITATIVE INFORMATION

A.4.5 Fair value hierarchy

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

Financial assets/liabilities measured at fair value	31/12/2021			31/12/2020		
	L1	L2	L3	L1	L2	L3
1. Financial assets measured at fair value through profit and loss	269,568	110,523	-	293,395	116,234	38
a) financial assets held for trading	269,568	110,523	-	293,395	116,234	-
b) financial assets measured at fair value	-	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	-	-	-	-	-	38
2. Financial assets measured at fair value through other comprehensive income	199,516	11,975	10,132	148,691	27,633	17,265
3. Hedging derivatives	-	1,444	-	-	405	-
4. Property, plant and equipment	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	**469,084**	**123,942**	**10,132**	**442,086**	**144,272**	**17,303**
1. Financial liabilities held for trading	54,850	42,463	-	37,008	73,529	-
2. Financial liabilities measured at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	52,399	-	-	32,693	-
Total	**54,850**	**94,862**	**-**	**37,008**	**106,222**	**-**

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

The impact of the "CVA" and "DVA" on the determination of the fair value of derivative financial instruments at consolidated level attributable to Banca Profilo alone, amount to € 152 thousand and € 130 thousand respectively.

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

	Financial assets measured at fair value through profit and loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Property, plant and equipment	Intangible assets
	Total	of which: a) financial assets held for trading	of which: b) financial assets designated at fair value	of which: c) other financial assets mandatorily measured at fair value				
1. Opening balances	38	**-**	**-**	**38**	**17,265**	**-**	**-**	**-**
2. Increases	**-**	**-**	**-**	**-**	**1,874**	**-**	**-**	**-**
2.1. Purchases	-	-	-	-	1,500	-	-	-
2.2. Profits recognised in:	-	-	-	-	340	-	-	-
2.2.1. Income Statement	-	-	-	-	256	-	-	-
- of which capital gains	-	-	-	-	-	-	-	-
2.2.2. Shareholders' equity	-	X	X	X	84	-	-	-
2.3. Transfers from other levels	-	-	-	-	-	-	-	-
2.4. Other increases	-	-	-	-	34	-	-	-
3. Decreases	**38**	**-**	**-**	**38**	**9,007**	-	-	-
3.1. Sales	-	-	-	-	7,344	-	-	-
3.2. Redemptions	-	-	-	-	-	-	-	-
3.3. Losses recognised in:	38	-	-	38	1,152	-	-	-
3.3.1. Income Statement	38	-	-	38	-	-	-	-
- of which capital losses	38	-	-	38	-	-	-	-
3.3.2. Shareholders' equity	-	X	X	X	1,152	-	-	-
3.4. Transfers from other levels	-	-	-	-	-	-	-	-
3.5. Other decreases	-	-	-	-	511	-	-	-
4. Closing balances	**-**	**-**	**-**	**-**	**10,132**	**-**	**-**	**-**

Item 3.3.2 - Losses recognised in Shareholders' equity includes the effects of the valuation of minority interests in fintech companies.

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

Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	31/12/2021				31/12/2020			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets measured at amortised cost	948,183	353,477	7,766	591,392	777,440	314,406	10,380	466,417
2. Property, plant and equipment held for investment	1,290	-	1,350	-	1,330	-	1,538	-
3. Non-current assets and disposal groups classified as held for sale	-	-	-	-	299,520	14,395	-	-
Total	**949,473**	**353,477**	**9,116**	**591,392**	**1,130,257**	**328,801**	**11,918**	**523,209**
1. Financial liabilities measured at amortised cost	1,317,832	-	-	1,317,832	1,217,542	-	-	1,217,542
2. Liabilities associated with disposal groups classified as held for sale	-	-	-	-	248,302	1,923	-	-
Total	**1,317,832**	**-**	**-**	**1,317,832**	**1,465,844**	**1,923**	**-**	**1,217,542**

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

With regard to the determination of the fair value of financial instruments, reference should be made to Part A.1 section 4 of the Group's accounting policies.

Financial assets measured at amortised cost include both securities held by Banca Profilo (broken down by level) and loans and advances to banks and customers, all of which have been classified at level 3. Since these are mainly non instalment transactions or transactions with a maturity of less than one year, the book value is considered an adequate approximation of fair value, which entails classification in level 3 of the hierarchy. Exposures in mortgages and Lombard loans are also classified as level 3 in lombard loans and advances to customers.

Property, plant and equipment held for investment purposes include the Brescia property owned by the subsidiary Profilo Real Estate S.r.l.

In financial year 2020, the groups of assets and associated liabilities included the contribution of the subsidiaries Banque Profil de Gestion and Dynamic Asset Management, sold on 1 June 2021.

A.5 Information on so-called "Day one profit/loss"

At 31 December 2021 there were no day one profit transactions in place.

PART B - Information on the Consolidated Balance Sheet

ASSETS

Section 1 – Cash and cash equivalents – Item 10

1.1 Cash and cash equivalents: breakdown

	Total 31/12/2021	Total 31/12/2020
a) Cash	197	217
b) Current accounts and demand deposits with Central Banks	6,859	29,507
c) Current accounts and demand deposits with banks	17,673	51,967
Total	**24,728**	**81,691**

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

2.1 Financial assets held for trading: breakdown by product

Items/Amounts	Total 31/12/2021			Total 31/12/2020		
	L1	L2	L3	L1	L2	L3
A. On-Balance sheet assets						
1. Debt securities	135,318	73,017	-	157,267	44,784	-
1.1 Structured securities	114	15,391	-	5,238	7,946	-
1.2 Other debt securities	135,204	57,626	-	152,029	36,838	-
2. Equity securities	88,097	-	-	82,503	-	-
3. Units of UCITS	2,425	1,040	-	1,279	1,219	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total (A)	**225,840**	**74,057**	**-**	**241,049**	**46,003**	**-**
B. Derivative Instruments	-	-	-	-	-	-
1. Financial derivatives	43,728	28,332	-	52,346	37,162	-
- 1.1 trading	43,728	28,332	-	52,346	37,162	-
- 1.2 connected with the fair value option	-	-	-	-	-	-
- 1.3 other	-	-	-	-	-	-
2. Credit derivatives	-	8,134	-	-	33,069	-
2.1 trading	-	8,134	-	-	33,069	-
2.2 connected with the fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total (B)	**43,728**	**36,466**	**-**	**52,346**	**70,231**	**-**
Total (A+B)	**269,568**	**110,523**	**-**	**293,395**	**116,234**	**-**

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

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

Items/Amounts	Total 31/12/2021	Total 31/12/2020
A. On-Balance sheet assets		
1. Debt securities	208,335	202,052
a) Central Banks	-	-
b) Public administration	105,232	94,796
c) Banks	70,354	71,059
d) Other financial companies	13,028	15,589
of which: insurance companies	62	150
e) Non-financial companies	19,721	20,608
2. Equity securities	88,098	82,503
a) Banks	27,055	30,750
b) Other financial companies	5,079	16,447
of which: insurance companies	288	11,267
c) Non-financial companies	55,964	35,306
d) Other issuers	-	-
3. Units of UCITS	3,465	2,497
4. Loans	-	-
a) Central Banks	-	-
b) Public administration	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total (A)	**299,897**	**287,052**
B. Derivative Instruments		
a) Central Counterparties	45,438	52,361
b) Other	34,756	70,217
Total (B)	**80,194**	**122,578**
Total (A+B)	**380,091**	**409,630**

Derivative instruments activity exclusively refers to Banca Profilo.

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

Items/Amounts	Total 31/12/2021			Total 31/12/2020		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equity securities	**-**	**-**	**-**	**-**	**-**	**38**
3. Units of UCITS	**-**	**-**	**-**	**-**	**-**	**-**
4. Loans	**-**	**-**	**-**	**-**	**-**	**-**
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**38**

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

The item "Equity securities" - level 3 - only included the financial instruments subscribed as part of the support to Banca Carige through the Voluntary Scheme, fully depreciated in the financial year 2021.

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

	Total 31/12/2021	Total 31/12/2020
1. Equity securities	**-**	**38**
of which: banks	-	-
of which: other financial companies	-	-
of which: non-financial companies	-	38
2. Debt securities	**-**	**-**
a) Central Banks	-	-
b) Public administration	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
3. Units of UCITS	**-**	**-**
4. Loans	**-**	**-**
a) Central Banks	-	-
b) Public administration	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**-**	**38**

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

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

Items/Amounts	Total 31/12/2021			Total 31/12/2020		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**196,802**	**11,630**	**1,022**	**145,858**	**27,285**	**8,504**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	196,802	11,630	1,022	145,858	27,285	8,504
2. Equity securities	**2,714**	**345**	**9,110**	**2,832**	**348**	**8,762**
3. Loans	**-**	-	**-**	**-**	-	**-**
Total	**199,516**	**11,975**	**10,132**	**148,690**	**27,633**	**17,266**

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

The Group has classified in this category, in addition to debt securities, some equities deriving from minority shareholdings, including the companies Fintech Tinaba and MDOTM, with which Banca Profilo has developed product partnerships with reference to the development of digital channels and Robo-management respectively.

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

Items/Amounts	Total 31/12/2021	Total 31/12/2020
1. Debt securities	**209,454**	**181,647**
a) Central Banks	-	-
b) Public administration	170,457	96,214
c) Banks	10,926	31,229
d) Other financial companies	9,580	16,973
of which: insurance companies	-	-
e) Non-financial companies	18,491	37,231
2. Equity securities	**12,169**	**11,942**
a) Banks	-	-
b) Other issuers:	12,169	11,942
- other financial companies	349	353
of which: insurance companies	-	-
- non-financial companies	11,820	11,589
- other	-	-
3. Loans	**-**	**-**
a) Central Banks	-	-
b) Public administration	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**221,623**	**193,589**

3.3 Financial assets measured at fair value through other comprehensive income: gross value and overall value adjustments

	Gross value					Overall value adjustments				
	Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Impaired, acquired, or originated	Stage 1	Stage 2	Stage 3	Impaired, acquired, or originated	Total partial write-offs
Debt securities	209,576	209,576	-	-	-	122	-	-	-	-
Loans	-	-	-	-	-	-	-	-	-	-
Total 31/12/2021	**209,576**	**209,576**	**-**	**-**	**-**	**122**	**-**	**-**	**-**	**-**
Total 31/12/2020	**181,757**	**181,757**	**-**	**-**	**-**	**100**	**-**	**-**	**-**	**-**

A portion of the bonds in the portfolio of financial assets measured at fair value through other comprehensive income (HTCS) is subject to micro hedge. The strategy for managing this portfolio is to immunise its fair value from movements in interest rates and inflation rate, leaving it exposed only to movements in the credit spreads of the issuers of the securities purchased. To this end, in the event of the purchase of fixed-rate or inflation-linked securities, special hedging derivatives were entered into which transformed the overall payoff of the investment (security plus derivative) into that of a variable-rate security. As at 31 December 2021, out of a notional amount of bonds in the HTCS portfolio of € 198.2 million, € 93.5 million is subject to micro hedge with reference to interest rate risk.

Section 4 – Financial assets measured at amortised cost – Item 40

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

Type of transactions/Amounts						Total 31/12/2021						Total 31/12/2020
			Book value			Fair Value			Book value			Fair Value
	Stage 1 and 2	Stage 3	of which: impaired, acquired or originated	L1	L2	L3	Stage 1 and 2	Stage 3	of which: impaired, acquired or originated	L1	L2	L3
A. Loans and advances to Central Banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Time deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Compulsory reserves	-	-	-	X	X	X	-	-	-	X	X	X
3. Reverse repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	-	-	-	X	X	X	-	-	-	X	X	X
B. Loans and advances to banks	**67,896**	**-**	**-**	**2,681**	**6,752**	**58,596**	99,578	**-**	**-**	**7,319**	**9,355**	**83,193**
1. Loans	58,596	-	-	-	-	58,596	83,193	-	-	-	-	83,193
1.1 Current accounts and demand deposits	-	-	-	X	X	X	-	-	-	X	X	X
1.2. Time deposits	6,768	-	-	X	X	X	6,966	-	-	X	X	X
1.3. Other loans:	51,828	-	-	X	X	X	76,227	-	-	X	X	X
- Reverse repurchase agreements	12,464	-	-	X	X	X	36,526	-	-	X	X	X
- Financing for lease	-	-	-	X	X	X	-	-	-	X	X	X
- Other	39,364	-	-	X	X	X	39,701	-	-	X	X	X
2. Debt securities	9,300	-	-	2,681	6,752	-	16,385	-	-	7,319	9,355	-
2.1 Structured securities	879	-	-	-	883	-	791	-	-	-	812	-
- 2.2 Other debt securities	8,421	-	-	2,681	5,869	-	15,594	-	-	7,319	8,543	-
Total	**67,896**	**-**	**-**	**2,681**	**6,752**	**58,596**	**99,578**	**-**	**-**	**7,319**	**9,355**	**83,193**

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

Loans and advances to banks decreased by € 31.7 million, from € 99.6 million at 31 December 2020 to € 67.9 million at 31 December 2021. This item also contains securities issued by banks classified as financial assets at amortised cost. At 31 December 2021, out of a nominal amount of bonds issued by banks in the HTC portfolio of € 9.8 million, none is subject to micro hedging with reference to interest rate risk. With regard to term deposits and Reverse repurchase agreements, since these are short-term receivables and are settled at market conditions, it is believed, also on the basis of a precise valuation of the counterparties involved, that the book value approximates their fair value.

The aggregate also includes the amount of € 6.8 million relating to the deposit, made indirectly by Banca Profilo, for the compulsory reserve, in accordance with the Bank of Italy regulations.

The amounts deposited as collateral with the counterparties with which Banca Profilo carries out derivative contracts are classified under the sub-item "Loans - other".

4.2 Financial assets measured at amortised cost: breakdown of loans and advances to customers

Type of transactions/Amounts	Total 31/12/2021						Total 31/12/2020					
	Book value			Fair Value			Book value			Fair Value		
	Stage 1 and 2	Stage 3	of which: impaired, acquired or originated	L1	L2	L3	Stage 1 and 2	Stage 3	of which: impaired, acquired or originated	L1	L2	L3
1. Loans	**527,113**	**5,683**	**-**	**-**	**-**	**532,796**	**382,293**	**931**	**-**	**-**	**-**	**383,224**
1.1. Current accounts	228,883	2,691	-	X	X	X	217,202	520	-	X	X	X
1.2. Reverse repurchase agreements	123,216	-	-	X	X	X	50,779	-	-	X	X	X
1.3. Mortgages	89,761	2,608	-	X	X	X	51,436	-	-	X	X	X
1.4. Credit cards and personal loans, incl. salary backed loans	-	-	-	X	X	X	-	-	-	X	X	X
1.5 Financing for lease	-	-	-	X	X	X	-	-	-	X	X	X
1.6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
1.7. Other loans	85,253	384	-	X	X	X	62,876	412	-	X	X	X
2. Debt securities	**347,491**	**-**	**-**	**350,796**	**1,014**	**-**	**294,638**	**-**	**-**	**307,087**	**1,025**	**-**
2.1. Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Other debt securities	347,491	-	-	350,796	1,014	-	294,638	-	-	307,087	1,025	-
Total	**874,604**	**5,683**	**-**	**350,796**	**1,014**	**532,796**	**676,931**	**931**	**-**	**307,087**	**1,025**	**383,224**

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

Loans and advances to customers increased by € 202.4 million, from € 677.8 million at 31 December 2020 to € 880.3 million at 31 December 2021.

This item also contains securities of "customer" issuers classified as financial assets at amortised cost. At 31 December 2021, out of a notional amount of bonds, not issued by banks, in the HTC portfolio of € 300.5 million, € 184.0 million were subject to micro hedging with reference to interest rate risk.

Impaired assets have a gross exposure of € 11.5 million against which specific value adjustments of € 5.8 million have been made with a hedge of 50.7%. Impaired assets are attributable to non-performing loans (equal to € 2.7 million fully depreciated), unlikely to pay (€ 7.1 million on which there are value adjustments for € 1.7 million), and past due loans and/or overdue impaired loans to private and corporate customers (€ 1.7 million, adjusted for € 1.4 million).

4.3 Financial assets measured at amortised cost: breakdown by debtor/issuer of loans and advances to customers

Type of transactions/Amounts	Total 31/12/2021			Total 31/12/2020		
	Stage 1 and 2	Stage 3	of which: impaired assets, acquired, or originated	Stage 1 and 2	Stage 3	of which: impaired assets, acquired, or originated
1. Debt securities	**347,491**	**-**	**-**	**294,637**	**-**	**-**
a) Public administration	338,353	-	-	269,949	-	-
b) Other financial companies	1,507	-	-	13,780	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	7,631	-	-	10,909	-	-
2. Loans to:	**527,113**	**5,683**	**-**	**382,294**	**931**	**-**
a) Public administration	351	-	-	7	-	-
b) Other financial companies	244,310	1,866	-	136,191	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	91,461	3,513	-	69,607	680	-
d) Households	190,991	304	-	176,489	251	-
Total	**874,604**	**5,683**	**-**	**676,931**	**931**	**-**

4.4 Financial assets measured at amortised cost: gross value and overall value adjustments

		Gross value					Overall value adjustments				
		Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Impaired, acquired, or originated	Stage 1	Stage 2	Stage 3	Impaired, acquired, or originated	Total partial write-offs
Debt securities		356,858	356,858	-	-	-	68	-	-	-	-
Loans		581,650	-	4,453	11,526	-	329	65	5,843	-	-
Total	**31/12/2021**	**938,508**	**356,858**	**4,453**	**11,526**	**-**	**397**	**65**	**5,843**	**-**	**-**
Total	**31/12/2020**	**776,173**	**311,118**	**933**	**5,477**	**-**	**588**	**8**	**4,545**	**-**	**-**

4.4a Loans valued at amortised cost subject to COVID-19 support measures: gross value and total value adjustments

		Gross value				Overall value adjustments			
		Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Total partial write-offs*
1. Loans granted in compliance with the GL		-	-	-	3,013	-	-	405	-
2. Loans subject to other concession measures		-	-	-	-	-	-	-	-
3. New loans		41,167	41,167	1,003	-	35	4	-	-
Total	**31/12/2021**	**41,167**	**41,167**	**1,003**	**3,013**	**35**	**4**	**405**	**-**
Total	**31/12/2020**	**16,164**	**16,164**	**-**	**-**	**84**	**-**	**-**	**-**

Section 5 - Hedging derivatives - Item 50

5.1 Hedging derivatives: breakdown by type of hedge and levels

		Fair Value 31/12/2021		NA		*Fair Value* 31/12/2020		NA
	L1	L2	L3	31/12/2021	L1	L2	L3	31/12/2020
A. Financial derivatives								
1. Fair value	-	1,444	-	53,211	-	405	-	23,865
2. Cash flows	-	-	-	-	-	-	-	-
3. Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives								
1. Fair value	-	-	-	-	-	-	-	-
2. Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**1,444**	**-**	**53,211**	**-**	**405**	**-**	**23,865**

Key
NA = notional amount
L1 = Level 1
L2 = Level 2
L3 = Level 3

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

Transactions/Type of hedge	*Fair Value*							Cash flows		Foreign investments
	Specific						Macro-hedge	Specific	Macro-hedge	
	debt securities and interest rates	equity securities and stock indices	currencies and gold	credit	commodities	other				
1. Financial assets measured at fair value through other comprehensive income	1,278	-	-	-	X	X	X	-	X	X
2. Financial assets measured at amortised cost	166	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	-	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**1,444**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- 1. Financial liabilities	-	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
- 1. Expected transactions	X	X	X	X	X	X	X	-	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	X	-	X	-	-

Section 9 - Property, plant and equipment - Item 90

9.1 Property, plant and equipment used in the business: breakdown of assets measured at cost

Assets/Amounts	Total 31/12/2021	Total 31/12/2020
1. Owned assets	**47,782**	**48,409**
a) land	36,215	36,215
b) buildings	10,140	10,462
c) furniture and furnishings	19	36
d) electronic equipment	5	5
e) other	(1,403)	1,691
2. Right-of-use of leased assets	**4,272**	**4,558**
a) land	-	-
b) buildings	3,465	3,495
c) furniture and furnishings	-	-
d) electronic equipment	-	-
e) other	807	1,063
Total	**52,054**	**52,967**
of which: obtained by enforcing guarantees received	-	-

The amounts shown in the table in respect of item 1. Owned assets - sub-items "land" and "buildings", refer to the building for the headquarters of Banca Profilo located in Via Cerva (Milan), owned by the company Profilo Real Estate Srl.

Item 2. Right-of-use acquired through leases relates to rights to use of property, motor vehicles and capital goods recognised in accordance with IFRS 16.

In order to verify the fairness of the carrying amount (€ 46.4 million), an appraisal was carried out on the property in Via Cerva (Milan) by external consultants which determined the value of the properties on the basis of generally accepted valuation methods and principles. In particular, the property was valued using the Discounted Cash Flow financial-income method. The valuation procedure is based on the asset's ability to generate cash flows, in consideration of the current rent and rental market dynamics for this type of building, as well as the operating costs relating to the property. In order to determine the most probable market value, an average cost of capital was also identified, and current lease proposals were examined in the area of the historic centre of Milan to support the reasonableness of the estimated flows. The result of the valuation method described led to confirmation of the appropriateness of the carrying amount.

9.2 Property, plant and equipment held for investment: composition of assets measured at cost

Assets/Amounts	Total 31/12/2021				Total 31/12/2020			
	Book value	Fair Value			Book value	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Owned assets	**1,290**	**-**	**1,350**	**-**	**1,330**	**-**	**1,538**	**-**
a) land	-	-	-	-	-	-	-	-
b) buildings	1,290	-	1,350	-	1,330	-	1,538	-
2. Right-of-use of leased assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-
Total	**1,290**	**-**	**1,350**	**-**	**1,330**	**-**	**1,538**	**-**
of which: obtained by enforcing guarantees received	-	-	-	-	-	-	-	-

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

The property, plant and equipment held for investment refer exclusively to the company Profilo Real Estate Srl. This item consists exclusively of the property located in Corso Mameli (Brescia).

In order to verify the appropriateness of the carrying amount, the property in **Corso Mameli (Brescia)** was subject to an appraisal by external consultants, which revealed the appropriateness of the value recorded in the financial statements. This appraisal determined the market value of the property on the basis of generally accepted valuation methods and principles. In particular, the valuation of the property was carried out with a Discounted Cash Flow Method, which takes into account the restructuring costs estimated by the expert on the basis of previous experience with regard to similar properties and the main national stock exchanges, and substantial revenues from the sale of the units once the restructuring has been completed, the amount of which was deduced from targeted market surveys in the reference area, through consultation of the main property advertising portals and discussions with local brokers. The result of the valuation method described did not entail any devaluations.

9.6 Property, plant and equipment used in the business: annual changes

	Land	Buildings	Furniture and furnishings	Electronic equipment	Other	Total
A. Gross opening balances	**36,215**	**17,025**	**3,513**	**8,998**	**4,221**	**69,972**
A.1 Total net impairment	-	(3,068)	(3,477)	(8,993)	(1,466)	(17,004)
A.2 Net opening balances	**36,215**	**13,957**	**36**	**5**	**2,755**	**52,967**
B. Increases:	**-**	**403**	**-**	**1**	**111**	**515**
B.1 Purchases	-	-	-	1	63	64
- of which business combinations	-	-	-	-	-	-
B.2 Capitalised expenditure on improvements	-	-	-	-	-	-
B.3 Reversals of impairment losses	-	-	-	-	-	-
B.4 Positive changes in fair value recognised in:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Transfer from properties held for investment	-	-	X	X	X	-
B.7 Other changes	-	403	-	-	48	451
C. Decreases:	**-**	**755**	**17**	**1**	**655**	**1,427**
C.1 Sales	-	-	-	-	-	-
- of which business combinations	-	-	-	-	-	-
C.2 Depreciation	-	728	17	1	653	1,398
C.3 Impairment losses recognised in: -	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Negative changes in fair value recognised in:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Transfers to: -	-	-	-	-	-	-
a) property, plant and equipment held for investment	-	-	X	X	X	-
b) Non-current assets and disposal groups held for sale	-	-	-	-	-	-
C.7 Other changes	-	27	-	-	2	29
D. Net closing balances	**36,215**	**13,605**	**19**	**5**	**2,210**	**52,054**
D.1 Total net impairment	-	7,449	3,493	8,994	1,896	21,831
D.2 Gross closing balances	**36,215**	**21,054**	**3,512**	**8,999**	**4,106**	**73,885**
E. Measured at cost	-	-	-	-	-	-

9.7 Property, plant and equipment held for investment: annual changes

	Total	
	Land	Buildings
A. Opening balances	**-**	**1,330**
B. Increases	**-**	**-**
B.1 Purchases	-	-
- of which business combinations	-	-
B.2 Capitalised expenditure on improvements	-	-
B.3 Positive changes in fair value	-	-
B.4 Reversals of impairment losses	-	-
B.5 Positive exchange differences	-	-
B.6 Transfers from properties used in the business	-	-
B.7 Other changes	-	-
C. Decreases	**-**	**41**
C.1 Sales	-	-
- of which business combinations	-	-
C.2 Depreciation	-	41
C.3 Negative changes in fair value	-	-
C.4 Impairment losses	-	-
C.5 Negative exchange differences	-	-
C.6 Transfers to: -	-	-
a) properties used in the business -	-	-
b) Non-current assets and disposal groups held for sale	-	-
C.7 Other changes	-	-
D. Closing balances	**-**	**1,290**
E. Measured at fair value	-	1,350

Section 10 – Intangible assets – Item 100

10.1 Intangible assets: breakdown by type

Assets/Amounts	Total 31/12/2021		Total 31/12/2020	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	X	**909**	X	**1,037**
A.1.1 attributable to the Group	X	909	X	1,037
A.1.2 attributable to non-controlling interests	X	-	X	-
A.2 Other intangible assets	**3,563**	**-**	**2,187**	**-**
of which: software	3,563	**-**	**2,187**	**-**
A.2.1 Assets measured at cost:	3,563	-	2,187	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	3,563	-	2,187	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**3,563**	**909**	**2,187**	**1,037**

10.2 Intangible assets: annual changes

	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total
		FIN	INDEF	FIN	INDEF	
A. Opening balances	**4,861**	**-**	**-**	**2,188**	**-**	**7,049**
A.1 Total net impairment	(3,824)	-	-	-	-	(3,824)
A.2 Net opening balances	**1,037**	**-**	**-**	**2,188**	**-**	**3,225**
B. Increases	**-**	**-**	**-**	**2,270**	**-**	**2,270**
B.1 Purchases	-	-	-	2,270	-	2,270
- of which business combinations	-	-	-	-	-	-
B.2 Increases of internally generated intangible assets	X	-	-	-	-	-
B.3 Reversals of impairment losses	X	-	-	-	-	-
B.4 Positive changes in fair value	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**128**	**-**	**-**	**895**	**-**	**1,023**
C.1 Sales	-	-	-	-	-	-
- of which business combinations	-	-	-	-	-	-
C.2 Value adjustments	128	-	-	895	-	1,023
- Amortisation	X	-	-	895	-	895
- Write-downs	128	-	-	-	-	128
+ shareholders' equity	X	-	-	-	-	-
- + income statement	128	-	-	-	-	128
C.3 Negative changes in fair value: -	-	-	-	-	-	-
- shareholders' equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Net closing balances	**909**	**-**	**-**	**3,563**	**-**	**4,472**
D.1 Total net value adjustments	3,952	-	-	-	-	3,952
E. Gross closing balances	**4,861**	**-**	**-**	**3,563**	**-**	**8,424**
F. Measured at cost	-	-	-	-	-	-

Key
DEF: with a definite life
INDEF: with an indefinite life

Goodwill, amounting to € 909 thousand at 31 December 2021, resulted from the acquisition of the lending and custody business unit and individual asset management in 2003 and 2004.

In compliance with IAS 36, the existence of a clear impairment of goodwill and property, plant and equipment with a finite useful life is verified annually by means of the so-called "impairment test", i.e. whether the book values are lower than their recoverable value.
The same principle defines the recoverable value as the greater of:

- "value in use" or the present value of future cash flows expected to arise from the continuing use of a specific asset or "cash generating unit" (CGU);

- "fair value", less selling costs, i.e. the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties.

Any difference between the book value of goodwill and its recoverable value, if lower, represents an impairment loss to be recognised in the entity's Income Statement.

In this regard, the cash generating unit to which goodwill is allocated is identified, known as CGU, which represents the minimum level at which goodwill is monitored at Group level in accordance with the business model adopted.

In carrying out the impairment test, the procedure was defined and approved by the Board of Directors of Banca Profilo S.p.A. prior to the approval of the financial statements, in continuity with previous years.

Impairment test on Intangible Assets related to the "lend and custody" business unit

The item "Goodwill" recorded at the beginning of 2021 for € 1,036 thousand is made up of goodwill arising from the acquisition of the lending and custody business unit and asset management in 2003 and 2004. The aforementioned goodwill, already written down by € 3,143 thousand in the 2008 financial statements, by € 497 thousand in the 2019 financial statements and by € 148 thousand in the 2020 financial statements, in accordance with the provisions of IAS 36, was subjected to an impairment test in order to identify any impairment losses according to the procedure illustrated below, indicating the basic assumptions, estimation method and parameters used.

Goodwill was attributed to the Cash Generating Unit (CGU) to which it belongs, represented by the business unit as a whole, given the substantial autonomy and independence of the cash inflows generated by the aforementioned business unit with respect to other groups of assets. As at 31 December 2021, the business unit consisted of direct and indirect funding (administered and managed) of € 55.3 million (€ 55.8 million at the end of 2020).

In order to identify any impairment losses attributable to the CGU, the recoverable value was determined using the following methods:

The value in use was determined by applying the income method. The flows were determined on the basis of the assets managed and administered at 31 December 2021, equal to € 55.3 million. Therefore, future cash flows on these assets were determined taking into account their actual profitability recorded in the course of 2021 on the individual positions, net of the related overhead costs attributed to the business unit. For the purposes of identifying the scope of customers assigned to this business unit, customers transferred at the date of acquisition as well as customers subsequently acquired, were considered.

In order to determine the value in use, the method of discounting expected income over a ten-year period was used, in continuity with the past. In view of the strong customer loyalty attributed to the business unit and their permanent tenure over the last few years, it has been assumed that assets will fall from the sixth year to zero in the tenth year. The cost of equity (Ke) used to discount expected income, equal to 7.66%, was determined on the basis of the Capital Asset Pricing Model, taking into account a risk-free rate of 1.58% as at 31 December 2021 (10-year BTP rate - average over the last five years), the Beta factor of 1,014 (obtained as the average of the coefficients observed for a sample of 15 listed companies operating in the asset management and administration sector) and an equity market risk premium of 6.0%. The expected income flows thus obtained produce a value in use equal to € 909 thousand.
Based on sensitivity analyses carried out using different discount rates (+/- 0.5%) and profitability rates (+/- 0.05%), the value of the CGU to which goodwill is allocated ranges between € 781 thousand and € 1,042 million.
The recoverable value was also estimated using the method of multiples applied to the assets outstanding at the end of the year. In this regard, multiples defined as Price/AUM were recorded as at 31 December 2021 on a sample of banks operating in private banking, with a median of 1.83%. Applying this multiple to the assets outstanding as at 31 December 2021 provides a fair value of € 912 thousand.

Considering the above, and considering that the book value of goodwill amounted to € 1,037 thousand, a devaluation of € 128 thousand was recorded in the Income Statement. It should be noted that, in accordance with IAS 36, write-downs made in previous years cannot be reversed subsequently.

10.3 Other information

As at 31 December 2021 there are commitments for the purchase of intangible assets, specifically for the finalisation of the software development projects launched during the year, which will be finalised and put into production in the course of 2022.

Section 11 - Tax Assets and Liabilities - Item 110 (Assets) and Item 60 (Liabilities)

11.1 Deferred tax assets: breakdown

	IRES	IRAP	Total
Value adjustments on loans	1,265	30	1,295
Goodwill	30	6	36
Capital losses on securities classified as Financial assets through other comprehensive income	604	124	728
Provisions for risks and charges	254	-	254
Other	246	24	270
Total	**2,399**	**184**	**2,583**

11.2 Deferred tax liabilities: breakdown

	IRES	IRAP	Total
Capital gains on securities classified as Financial assets through other comprehensive income	879	281	1,160
Provision for employee severance indemnity	69	-	69
Other	-	-	-
Total	**948**	**281**	**1,229**

11.3 Deferred tax assets: annual changes (balancing entry in the income statement)

	Total 31/12/2021	Total 31/12/2020
1. Opening balance	**1,919**	**5,152**
2. Increases	**280**	**237**
2.1 Deferred tax assets recognised during the year	280	227
a) relating to previous years	-	-
b) due to changes in accounting principles	-	-
c) reversals of impairment losses	-	-
d) other	280	227
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	10
3. Decreases	**662**	**3,470**
3.1 Deferred tax assets derecognised during the year	482	2,713
a) reversals of temporary differences	482	2,713
b) write-downs of non-recoverable items	-	-
c) due to changes in accounting principles	-	-
d) other	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases:	180	757
a) transformation into tax credits pursuant to Law no. 214/2011	-	-
b) other	180	757
4. Closing balance	**1,536**	**1,919**

The increases referred to in point 2.1 d) other, include deferred tax assets recorded on Directors' fees not paid in 2021 and on Provisions for risks and charges.
The decreases referred to in point 3.1 a), equal to € 0.5 million, refer to the reversal of deferred tax assets for the year, mainly referable to value adjustments on loans. It should be noted that the Law Decree 17/2022 of 1 March 2022 amended the tax legislation concerning the deduction of the portion pertaining to 2021 of the devaluations of receivables before 2015, deferring it to the following four years. As a consequence of this, in the 2022 financial year the Group will restore the deferred tax assets discharged in 2021, equal to € 0.2 million, and when paying the balance of current taxes for 2021, it will recognise the higher current tax charge and the related tax provision. This event is configured as non-modifying pursuant to IAS 10.

The Other decreases referred to in point 3.3 mainly concern the IRES of Profilo Real Estate offset by residual ACE benefits from previous years, now fully absorbed.
As at 31 December 2021 there are no deferred tax assets relating to previous tax losses. At 31 December 2021 the Group had no unrecognised deferred tax assets.

11.4 Deferred tax assets: changes under Italian law 214/2011

	Total 31/12/2021	Total 31/12/2020
1. Opening balance	**1,416**	**1,642**
2. Increases	**-**	**-**
3. Decreases	**227**	226
3.1 Reversals of temporary differences	226	226
3.2 Transformation into tax credits	-	-
a) arising from loss for the period	-	-
b) arising from tax losses	-	-
3.3 Other decreases	1	-
4. Closing balance	**1,189**	**1,416**

11.5 Deferred tax liabilities: annual changes (balancing entry in the income statement)

	Total 31/12/2021	Total 31/12/2020
1. Opening balance	**492**	**1,693**
2. Increases	**-**	**17**
2.1 Deferred tax liabilities recognised during the year	-	-
a) relating to previous years	-	-
b) due to changes in accounting principles	-	-
c) other	-	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	17
3. Decreases	**423**	**1,218**
3.1 Deferred tax liabilities derecognised during the year	423	-
a) reversals of temporary differences	423	-
b) due to changes in accounting principles	-	-
c) other	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	-	1,218
4. Closing balance	**69**	**492**

11.6 Deferred tax assets: annual changes (balancing entry in equity)

	Total 31/12/2021	Total 31/12/2020
1. Opening balance	**757**	**1,573**
2. Increases	**538**	**451**
2.1 Deferred tax assets recognised during the year	538	451
a) relating to previous years	-	-
b) due to changes in accounting principles	-	-
c) other	538	451
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**248**	**1,267**
3.1 Deferred tax assets derecognised during the year	248	1,267
a) reversals of temporary differences	248	1,267
b) write-downs of non-recoverable items	-	-
c) due to changes in accounting principles	-	-
d) other	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**1,047**	**757**

11.7 Deferred tax liabilities: annual changes (balancing entry in equity)

	Total 31/12/2021	Total 31/12/2020
1. Opening balance	**1,022**	**191**
2. Increases	**830**	**1,022**
2.1 Deferred tax liabilities recognised during the year	830	1,022
a) relating to previous years	-	-
b) due to changes in accounting principles	-	-
c) other	830	1,022
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**693**	**191**
3.1 Deferred tax liabilities derecognised during the year	693	191
a) reversals of temporary differences	693	191
b) due to changes in accounting principles	-	-
c) other	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**1,160**	**1,022**

The deferred tax assets and liabilities referred to above relate to negative and positive fair value valuations, recorded in shareholders' equity in accordance with IAS/IFRS and pertaining to the securities portfolio classified as financial assets measured at fair value through other comprehensive income. The recovery of deferred tax assets is considered reasonable with the continued ownership of the securities.

11.8 Other information

	31/12/2021	31/12/2020
Current tax assets		
IRES prepayments	177	81
IRAP prepayments	606	343
Other receivables and withholdings	76	174
Total	**859**	**598**

Current tax liabilities		
IRES payables	478	100
IRAP payables	656	709
Total	**1,134**	**809**

Section 12 - Non-current assets and groups of assets held for disposal and associated liabilities - Item 120 of assets and item 70 of liabilities

12.1 Non-current assets and groups of assets held for sale: breakdown by type of asset

	Total 31/12/2021	Total 31/12/2020
A. Assets held for sale		
A.1 Financial assets	-	-
A.2 Equity investments	-	-
A.3 Property, plant and equipment	-	-
of which: obtained by enforcing guarantees received	-	-
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total (A)	**-**	**-**
of which valued at cost	-	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-
B. Discontinued operations		
B.1 Financial assets measured at fair value through profit and loss	-	1,707
- financial assets held for trading	-	1,707
- financial assets designated at fair value	-	-
- other financial assets mandatorily measured at fair value	-	-
B.2 Financial assets measured at fair value through other comprehensive income	-	12,688
B.3 Financial assets measured at amortised cost	-	229,436
B.4 Equity investments	-	-
B.5 Property, plant and equipment	-	1,137
of which: obtained by enforcing guarantees received	-	-

	Total 31/12/2021	Total 31/12/2020
B.6 Intangible assets	-	5,647
B.7 Other assets	-	48,905
Total (B)	**-**	**299,520**
of which measured at cost	-	285,125
of which measured at fair value level 1	-	14,395
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-
C. Liabilities associated with assets held for sale		
C.1 Payables	-	-
C.2 Securities	-	-
C.3 Other liabilities	-	-
Total (C)	**-**	**-**
of which measured at cost	-	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-
D. Liabilities associated with discontinued operations		
D.1 Financial liabilities measured at amortised cost	-	235,078
D.2 Financial liabilities held for trading	-	1,923
D.3 Financial liabilities designated at fair value	-	-
D.4 Funds	-	-
D.5 Other liabilities	-	11,301
Total (D)	**-**	**248,302**
of which measured at cost	-	246,379
of which measured at fair value level 1	-	1,923
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-

The discontinued operations and the related associated liabilities included in 2020 the IAS/IFRS accounting balances of the subsidiaries Banque Profil de Gestion SA and Dynamic Asset Management SA, for which the IFRS 5 accounting standard was applied in relation to the start of the process for the discontinuation of the equity investment held by Banca Profilo. With effect from 1 June, with the closing of the sale the Banca Profilo Group lost control of BPdG's assets and liabilities.

Section 13 - Other assets - Item 130

13.1 Other assets: breakdown

	31/12/2021	31/12/2020
Receivables for security deposits	38	6
Correspondents for securities and coupons to be collected	12,708	6,064
Receivables for tax consolidation	-	10
Loans and advances to customers for invoices to be collected	1,306	1,771
Customers for commissions to be collected	1,755	1,454
Items to be settled with Banks and Customers for different transactions	1,937	1,977
Sundry and residual items	11,603	11,998
Total	**29,347**	**23,280**

The sub-item "Correspondents for securities and coupons to be collected" includes amounts settled in the first days of January 2022.
Sundry and residual items mainly consist of stamp duty accounts and deferred income for administrative expenses, and also include € 0.5 million of tax credits related to the so-called "Superbonus 110" provided by the so-called "Relaunch Decree". These tax credits are recognised in other activities in accordance with the HTC business model, in compliance with the indications provided in the Bank of Italy/Consob/Ivass Document no. 9 (Coordination table between the Bank of Italy, Consob, and Ivass on the application of IAS/IFRS) "Accounting treatment of tax credits connected with the "Cura Italia" and "Relaunch" Legislative Decrees acquired following the disposals from part of the direct beneficiaries or previous purchasers".

LIABILITIES

Section 1 – Financial liabilities measured at amortised cost – Item 10

1.1 Financial liabilities measured at amortised cost: breakdown of deposits from banks

Type of transactions/Amounts	Total 31/12/2021				Total 31/12/2020			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Deposits from central banks	**89,458**	X	X	X	**175,816**	X	X	X
2. Deposits from banks	**248,164**	X	X	X	**91,443**	X	X	X
2.1 Current accounts and demand deposits	7,463	X	X	X	11,874	X	X	X
2.2 Time deposits	-	X	X	X	-	X	X	X
2.3 Loans	231,744	X	X	X	65,901	X	X	X
2.3.1 Repurchase agreements	231,744	X	X	X	65,901	X	X	X
2.3.2 Other	-	X	X	X	-	X	X	X
2.4 Payables for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
2.5 Lease liabilities	-	X	X	X	-	X	X	X
2.6 Other payables	8,957	X	X	X	13,668	X	X	X
Total	**337,622**	**-**	**-**	**337,622**	**267,260**	**-**	**-**	**267,260**

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

Deposits from Central Banks refer to monetary policy transactions aimed at long-term refinancing, carried out with the European Central Bank through participation in the TLTRO III auction for € 89.5 million. Item "2.6 Other payables" includes the amounts deposited as collateral with the counterparties with which Banca Profilo carries out transactions in derivative contracts.

Deposits from Central Banks at 31 December 2020 referred to monetary policy transactions aimed at long-term refinancing, carried out with the European Central Bank through participation in the PELTRO (Pandemic Emergency Longer-Term Refinancing Operations) for € 79.7 million, TLTRO III (Targeted Longer-Term Refinancing Operations) for € 81.1 million and to short-term transactions to optimise Banca Profilo's liquidity position for € 15.0 million. As of 31 December 2021, only the TLTRO-III loan remains in existence while the other loans have been repaid. With reference to the TLTRO-III loan, it should be noted that in December 2021 Banca Profilo made the early repayment of the amount received with the fourth auction and participated in the tenth auction, collecting € 89.5 million.

Since these are mainly short-term payables settled at market conditions, and given the financial characteristics of the TLTRO III transactions, the book value is considered to approximate their fair value. For more clarifications regarding the accounting treatment of TLTRO transactions, please refer to Part A of these Explanatory Notes.

1.2 Financial liabilities measured at amortised cost: breakdown of deposits from customers

Type of transactions/Amounts	Total 31/12/2021				Total 31/12/2020			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	638,645	X	X	X	681,658	X	X	X
2. Time deposits	-	X	X	X	-	X	X	X
3. Loans	307,967	X	X	X	251,329	X	X	X
3.1 Repurchase agreements	307,967	X	X	X	251,329	X	X	X
3.2 Other	-	X	X	X	-	X	X	X
4. Payables for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
5. Lease liabilities	4,278	X	X	X	4,548	X	X	X
6. Other payables	29,320	X	X	X	12,747	X	X	X
Total	**980,210**	**-**	**-**	**980,210**	**950,282**	**-**	**-**	**950,282**

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

Since these are short-term payables and are settled at market conditions, it is considered that the book value approximates their fair value.
The sub-item "Other payables" includes the amounts deposited as collateral with the counterparties with which Banca Profilo carries out transactions in derivative contracts.

1.6 Lease liabilities

The lease liabilities included in the aforementioned table 1.2 are representative of the present value of the residual future lease payments under contracts to which IFRS 16 applies. These contracts mainly relate to the rental of property, while the remainder relates to the rental of motor vehicles and office machinery. The Group currently has property lease contracts with a residual term of more than five years, while for vehicle and photocopier rental contracts the payable will be paid off over an average of two years.

Section 2 – Financial liabilities held for trading – Item 20

2.1 Financial liabilities held for trading: breakdown

Type of transactions/Amounts	Total 31/12/2021					Total 31/12/2020				
	NV	Fair Value			Fair Value*	NV	Fair Value			Fair Value*
		L1	L2	L3			L1	L2	L3	
A. On-balance sheet liabilities										
1. Deposits from banks	12	73	-	-	73	9	64	-	-	64
2. Deposits from customers	13,983	17,832	-	-	17,832	4,348	8,126	-	-	8,126
3. Debt securities	-	-	-	-	X	-	-	-	-	X
3.1 Bonds	-	-	-	-	X	-	-	-	-	X
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	X	-	-	-	-	X
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total (A)	**13,995**	**17,905**	**-**	**-**	**17,905**	**4,357**	**8,190**	**-**	**-**	**8,190**
B. Derivative Instruments										
1. Financial derivatives	X	36,945	33,153	-	X	X	28,818	36,926	-	X
1.1 Trading	X	36,945	33,153	-	X	X	28,818	36,926	-	X
1.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	X	-	9,310	-	X	X	-	36,603	-	X
2.1 Trading	X	-	9,310	-	X	X	-	36,603	-	X
2.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total (B)	**X**	**36,945**	**42,463**	**-**	**X**	**X**	**28,818**	**73,529**	**-**	**X**
Total (A+B)	**X**	**54,850**	**42,463**	**-**	**X**	**X**	**37,008**	**73,529**	**-**	**X**

Key
NV = nominal or notional value
L1 = Level 1
L2 = Level 2
L3 = Level 3
FV* = fair value calculated excluding value adjustments due to variation in the credit rating of the issuer since the date of issue.

This item includes derivative financial instruments classified at level 2, consisting of Credit Default Swaps (CDS), for € 6.7 million (notional value amounts to € 143.8 million) linked to an arbitrage strategy aimed at taking a CDS position on an index and, at the same time, a CDS opposite sign position on the individual issuers that make up the same index (so-called "package"). The sub-item Instruments also includes the fair value of the first Bonus Cap certificate issued by Banca Profilo in March 2021 (maturity March 2022).

Section 4 - Hedging derivatives - Item 40

4.1 Hedging derivatives: breakdown by type of hedge and levels

	Fair Value	31/12/2021		NV	Fair Value	31/12/2020		NV
	L1	L2	L3	31/12/2021	L1	L2	L3	31/12/2020
A. Financial derivatives	**-**	**52,399**	**-**	**224,252**	**-**	**32,693**	**-**	**241,057**
1) Fair value	-	52,399	-	224,252	-	32,693	-	241,057
2) Cash flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**52,399**	**-**	**224,252**	**-**	**32,693**	**-**	**241,057**

FV = fair value
NV = nominal or notional value
L1 = Level 1
L2 = Level 2
L3 = Level 3

Hedging derivatives outstanding as at 31 December 2021 refer only to the holding company Banca Profilo S.p.A. and are aimed at hedging interest rate risk.

4.2 Hedging derivatives: breakdown by hedged portfolios and type of hedge

Transactions/Type of hedge	Fair Value							Cash flows		Foreign investments
	Specific						Macro-hedge	Specific	Macro-hedge	
	debt securities and interest rates	equity securities and stock indices	currencies and gold	credit	commodities	other				
1. Financial assets measured at fair value through other comprehensive income	8,367	-	-	-	X	X	X	-	X	X
2. Financial assets measured at amortised cost	44,032	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	-	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**52,399**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- 1. Financial liabilities	-	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- 1. Expected transactions	X	X	X	X	X	X	X	-	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	X	-	X	-	-

Section 6 – Tax liabilities – Item 60

See Section 11 of the Assets.

Section 7 - Liabilities associated with assets held for sale - Item 70

See Section 12 of the Assets.

Section 8 – Other liabilities – Item 80

8.1 Other liabilities: breakdown

	31/12/2021	31/12/2020
Amounts to be paid to the Treasury for third parties	8,073	4,758
Amounts to be paid to social security institutions	748	676
Payables to Parent Company for tax consolidation	3,550	1,644
Amounts to be settled for transactions in securities and funds	1,169	12,363
Various suppliers and invoices to be received	4,213	4,012
Amounts to be paid to Personnel and Directors	8,929	7,544
Items to be settled for different transactions	1,967	1,134
Sundry and residual items	1,578	4,598
Total	**30,227**	**36,729**

The amounts to be settled for transactions in securities and funds and the items to be settled with Banks and Customers for different transactions consist of items in progress that were definitively settled after 31 December 2021.

Section 9 – Employee severance indemnity – Item 90

9.1 Employee severance indemnity: annual changes

	Total 31/12/2021	Total 31/12/2020
A. Opening balances	**1,671**	**1,717**
B. Increases	**929**	**889**
B.1 Provisions for the year	929	844
B.2 Other changes	-	45
- of which business combinations	-	-
C. Decreases	**1,129**	**935**
C.1 Severance payments	193	94
C.2 Other changes	937	841
- of which business combinations	-	-
D. Closing balances	**1,471**	**1,671**
Total	**1,471**	**1,671**

The amount of the provision represents the actuarial estimate of employee severance indemnity charges for employees of Banca Profilo and its subsidiaries as required by IAS 19. Point C.2 shows the amounts which, in accordance with the reform of the welfare system described below, were paid to the INPS Treasury Fund and the Pension Fund.

9.2 Employee severance indemnity: other information

	Total 31/12/2021	Total 31/12/2020
A. Opening balances	**1,671**	**1,716**
B. Increases		
1. Service cost related to performance	929	845
2. Financial charges	-	-
3. Contribution to the plan by participants	-	-
4. Actuarial losses	-	43
5. Exchange differences	-	-
6. Service cost related to performance	-	-
7. Other changes	-	2
C. Decreases		
1. Paid benefits	(193)	(94)
2. Service cost related to performance	-	-
3. Actuarial gains	(8)	-
4. Exchange differences	-	-
5. Reductions	-	-
6. Repayments	-	-
7. Other changes	(928)	(841)
D. Closing balances	**1,471**	**1,671**
Total	**1,471**	**1,671**

Since 1 January 2007, in accordance with the provisions of Law no. 296 of 27 December 2006, each employee may choose to allocate their employee severance indemnity to accrue with a supplementary pension scheme or to maintain it with their employer. In the latter case, for companies with more than 50 employees, the employee severance indemnity will be deposited by the employer in a fund managed by INPS on behalf of the State.

In light of the new provisions, the bodies responsible for the technical analysis of the issue have established that the employee severance indemnity accrued since 1 January 2007 for supplementary pension schemes or the INPS treasury fund is to be considered as a "defined contribution plan" and therefore no longer subject to actuarial valuation. The employee severance indemnity of employees who, at the valuation date, do not allocate 100% of their severance indemnity to supplementary pension schemes or who, if they do, have a provision for employee severance indemnity previously accrued by the Company, are still subject to actuarial valuation. For companies with less than 50 employees (all of Banca Profilo's subsidiaries), the employee severance indemnity continues to be considered a "defined benefit plan" and is subject to the "Projected Unit Credit Method" actuarial method (paragraphs 67-69 of IAS 19R).

The amount of employee severance indemnity still subject to actuarial valuation has been estimated by an external professional firm using a model based on the projected unit credit method. The actuarial valuation was carried out on the basis of the Company's personnel data. This data also takes into account estimates of the length of time spent in the company and the expected increase in standing for each employee. In particular, the estimated length of time has been adjusted by a series of parameters such as the employee's sex, number of years in the bank, estimated future years, number of working years in companies prior to the current. The revaluation of employee severance indemnity takes into account, among other things, future increases in standing, contract improvements, if known, as well as future seniority steps calculated on the basis of the employee's grade level and the rules for the accrual of progressions differentiated according to the date of joining the company. The methodology used for the calculations is the same as that used in previous years.

As regards the actuarial estimate, the main basis for calculation used is provided below:

	2021
Mortality	ISTAT 2020 survival table by age and sex
Requirements for retirement	Achievement of the minimum requirements of the Monti-Fornero reforms
Early exit frequency	8.5% p.a
Probability of early exit	1.0% p.a
Percentage of advance payment of employee severance indemnity	70% of accrued employee severance indemnity
Annual technical discount rate	0.349%
Annual inflation rate	1.5% constant
Annual salary growth rate	3.0% per annum for clerical staff
	1.5% per annum for Middle Managers
	1.0% per annum for Executives

The duration of the liability linked to Banca Profilo's provision for employee severance indemnity is as follows:

Company	Provision Duration at 31/12/2021	Representative synthetic discount rate
Banca Profilo	6.6	0.35%
Arepo Fiduciaria	7.7	0.46%

At 31 December 2021, the total value of the provision for employee severance indemnity was € 1,471 thousand; the results in terms of the final value of the provision for employee severance indemnity are provided below, as well as sensitivity analyses carried out when the main valuation parameters change.

Changing parameters	+50 basis points		-50 basis points	
(figures in €)	New amount	Change	New amount	Change
Change in discount rate curve	1,426,476	(44,921)	1,518,860	47,462
Change in salary increases	1,472,187	789	1,470,642	(756)
Change in inflation rate	1,499,544	28,147	1,444,007	(27,391)
Change in the probability of termination	1,447,236	(24,162)	1,509,504	38,107
Change in the percentage of the advance payment of employee severance indemnity	1,470,383	(1,014)	1,472,431	1,034

At 31 December 2021, the total value of the service cost was € 8 thousand; the results in terms of total cost are shown below, as well as sensitivity analyses carried out when the main valuation parameters change.

Changing parameters	+50 basis points		-50 basis points	
(figures in €)	New amount	Change	New amount	Change
Change in discount rate curve	8,071	(329)	8,752	353
Change in salary increases	8,505	105	8,299	(101)
Change in inflation rate	8,541	142	8,262	(138)
Change in the probability of termination	8,117	(282)	8,870	471
Change in the percentage of the advance payment of employee severance indemnity	8,452	52	8,346	(53)

The estimated future cash flows of Banca Profilo and the consolidated companies at 31 December 2021 are provided below.

Company	1 year	2 years	3 years	4 years	over 4 years
Banca Profilo	200,011	122,736	129,253	106,531	896,436
Arepo Fiduciaria	5,527	5,207	4,891	4,571	52,384

Section 10 – Provisions for risks and charges – Item 100

10.1 Provisions for risks and charges: breakdown

Items/Components	Total 31/12/2021	Total 31/12/2020
1. Provisions for credit risk relating to commitments and financial guarantees issued	20	57
2. Provisions on other commitments and other guarantees issued	-	-
3. Corporate pension funds	-	-
4. Other provisions for risks and charges	1,195	330
4.1 legal and tax disputes	-	-
4.2 personnel charges	909	-
4.3 other	286	330
Total	**1,215**	**387**

Other provisions, amounting to € 1.195 thousand, are the provisions for risks and charges set up to cover probable future liabilities relating to Banca Profilo and Arepo Fiduciaria. Within them, the Other provisions for risks and charges for personnel, equal to € 909 thousand, refer to the liabilities associated with certain benefits in favour of employees (retention plans activated for some Banca Profilo employees), recognised in financial year 2021 as a contra entry to item 190 a) Other administrative expenses - personnel expenses. These liabilities are recognised in the provision for risks and charges in consideration of the uncertainty profiles with reference to the date of occurrence and the amount of future expenditure required.

10.2 Provisions for risks and charges: annual changes

	Provisions on other commitments and other guarantees issued	Pension funds	Other provisions for risks and charges	Total
A. Opening balances	**-**	**-**	**330**	**330**
B. Increases	**-**	**-**	**1,079**	**1,079**
B.1 Provision for the year	-	-	1,079	1,079
B.2 Changes due to the time value of money	-	-	-	-
B.3 Differences due to discount-rate changes	-	-	-	-
B.4 Other changes	-	-	-	-
- of which business combinations	-	-	-	-
C. Decreases	**-**	**-**	**214**	**214**
C.1 Use during the year	-	-	214	214
C.2 Differences due to discount-rate changes	-	-	-	-
C.3 Other changes	-	-	-	-
- of which business combinations	-	-	-	-
D. Closing balances	**-**	**-**	**1,195**	**1,195**

The allocations to the item "Provisions for risks and charges - other" included in item B.1 in the amount of € 1,079 thousand, for € 909 thousand, refer to liabilities connected to certain benefits in favour of Banca Profilo's employees, and for the residual part to allocations for a limited number of customer complaints for which the risk of disbursement is considered probable. The use during the year concerns the disbursements and releases for excess funds allocated during the year at the closure of disputes with some customers; the portion of the provision released to the income statement amounts to € 40 thousand.

10.3 Provisions for credit risk relative to commitments and issued financial guarantees

	Provisions for credit risk relating to commitments and financial guarantees issued				
	Stage 1	Stage 2	Stage 3	Impaired, acquired or originated	Total
Commitments to disburse funds	-	-	-	-	-
Financial guarantees issued	20	-	-	-	20
Total	20	-	-	-	20

10.5 Defined benefit corporate pension funds

Please refer to section 10.1

Section 13 – Group shareholders' equity – Items 120, 130, 140, 150, 160, 170 and 180

13.1 Share capital and "treasury shares": breakdown

	31/12/2021	31/12/2020
1. Share capital	136,994	136,994
2. Share premium	82	82
3. Reserves	29,383	34,432
4. (Treasury shares)	(5,634)	(5,787)
a) parent company	(5,634)	(5,787)
b) subsidiaries		
5. Valuation reserves	1,788	2,036
6. Equity instruments		
7. Interim dividends	(10,472)	
8. Profit/(loss) for the year	11,713	8,709
Total	**163,854**	**176,466**

The change in the Valuation reserves does not coincide with the Total other income components reported in the Statement of Comprehensive Consolidated Income (item 170 of the statement) due to the deconsolidation of the Banque Profil de Gestion entity, which took place during the year. The valuation reserves subject to deconsolidation amounted to a negative € 2.4 million, of which € 1.5 million pertains to the Group and € 0.9 million is attributable to minority interests.

13.2 Share capital - Parent company's number of shares: annual changes

Items/Types	Ordinary	Other
A. Shares outstanding as at the beginning of the year	**654,125,483**	**-**
- fully paid	677,997,856	-
- not fully paid	-	-
A.1 Treasury shares (-)	(23,872,373)	-
A.2 Shares outstanding: opening balances	**654,125,483**	**-**
B. Increases	**3,212,677**	**-**
B.1 New issues	-	-
- against payment:	-	-
- bonds converted	-	-
- warrants exercised	-	-
- other	-	-
- without payment:	-	-
- to employees	-	-
- to Directors	-	-
- other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other changes	3,212,677	-
C. Decreases	**(2,746,695)**	**-**
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	(2,746,695)	-
C.3 Business transferred	-	-
C.4 Other changes	-	-
D. Shares outstanding: closing balances	**654,591,465**	**-**
D.1 Treasury shares (+)	23,406,391	-
D.2 Shares outstanding as at the end of the year	677,997,856	-
- fully paid	677,997,856	-
- not fully paid	-	-

Item B.3 "other changes" refers to the allocations made in April and November 2021 in relation to stock grant plans. For further details on these allocations, please refer to Part I - "Share-Based Payment Agreements" of these Explanatory Notes.
Item C.2 "Purchase of treasury shares" refers to the purchase of treasury shares as part of the activity authorised by the Shareholders' Meeting of 23 April 2020 to support exchanges, already started in 2020 with purchases of 6,658,305 shares, using a third-party intermediary (Equita SIM S.p.A.). As part of this activity, 2,746,695 shares equal to 0.41% of the share capital were purchased during the first months of 2021, thus reaching the maximum payment authorised by the aforementioned Shareholders' meeting of € 2 million. At 31 December 2021, the total of treasury shares in portfolio represents 3.45% of the share capital.

13.3 Share capital: other information

The share capital of Banca Profilo amounts to € 136,994,028, fully paid up and consists of 677,997,856 ordinary shares.

Section 14 - Non-controlling interests - Item 190

14.1 Breakdown of item 210 "Non-controlling interests"

Description	31/12/2021	31/12/2020
1. Share capital		5,231
2. Share premium		
3. Reserves		16,173
4. (Treasury shares)		(306)
a) parent company		
b) subsidiaries		
5. Valuation reserves		(948)
6. Equity instruments		
7. Profit/(loss) for the year		(411)
Total		**19,739**

Non-controlling interests were solely due to the investee Banque Profil de Gestion SA, 60.41% held by Banca Profilo until 1 June 2021, when it was sold to One Swiss Bank. At 31 December 2021, the entities consolidated by Banca Profilo are all 100% controlled.

Other information

1. Commitments and financial guarantees issued

	Nominal value of commitments and financial guarantees issued				Total	Total
	Stage 1	Stage 2	Stage 3	Impaired, acquired or originated	31/12/2021	31/12/2020
1. Commitments to disburse funds	**278,843**	**170**	-	**-**	**279,013**	**142,115**
a) Central Banks	-	-	-	-	-	-
b) Public administration	1,453	-	-	-	1,453	1,794
c) Banks	22,448	-	-	-	22,448	16,700
d) Other financial companies	148,202	-	-	-	148,202	21,073
e) Non-financial companies	22,612	-	-	-	22,612	19,589
f) Households	84,128	170	-	-	84,299	82,959
2. Financial guarantees issued	**16,319**	**-**	**-**	**-**	**16,319**	**19,278**
a) Central Banks	-	-	-	-	-	-
b) Public administration	-	-	-	-	-	-
c) Banks	-	-	-	-	-	-
d) Other financial companies	67	-	-	-	67	42
e) Non-financial companies	11,626	-	-	-	11,626	14,426
f) Households	4,626	-	-	-	4,626	4,810

The guarantees issued consist of sureties issued by Banca Profilo against obligations undertaken by the same towards third parties on behalf of its customers. Irrevocable commitments to disburse funds include purchases of securities not yet settled.

3. Assets pledged as collateral for own liabilities and commitments

Portfolios	Amount 31/12/2021	Amount 31/12/2020
1. Financial assets measured at fair value through profit and loss	181,392	179,567
2. Financial assets measured at fair value through other comprehensive income	68,212	81,014
3. Financial assets measured at amortised cost	314,230	236,521
4. Property, plant and equipment	-	-
of which: property, plant and equipment which constitutes inventory	-	-

Assets pledged as collateral are represented;

- € 83,324 thousand of securities pledged to guarantee monetary policy operations (loans) with the European Central Bank and the Bank of Italy;
- € 446,224 thousand from securities as collateral for repurchase agreements;
- € 34,286 thousand mainly relates to deposits as collateralisation of contracts on financial instruments.

5. Asset management and trading on behalf of third parties

Type of services	Amount
1. Execution of orders on behalf of customers	**1,194,548**
a) purchases	588,136
1. settled	588,136
2. unsettled	-
b) sales	606,412
1. settled	606,412
2. unsettled	-
2. Portfolio management	**790,096**
a) individual	790,096
b) collective	-
3. Custody and administration of securities	**5,434,602**
a) third-party securities held on deposit: relating to custodian bank activities (excluding portfolio management)	-
1. securities issued by companies included in consolidation	-
2. other securities	-
b) third-party securities held on deposit (excluding portfolio management): other	4,681,918
1. securities issued by companies included in consolidation	446,803
2. other securities	4,235,115
c) third-party securities deposited with third parties	4,203,164
d) own securities deposited with third parties	752,684
4. Other transactions	**-**

6. Financial assets subject to offsetting in the financial statements, or subject to master netting or similar agreements

Technical forms		Gross amount of financial assets (a)	Amount of financial liabilities offset in the financial statements (b)	Net amount of financial assets recognised in the financial statements (c=a-b)	Related amounts not subject to offsetting in the financial statements		Net amount (f=c-d-e)	Net amount
					Financial instruments (d)	Cash deposits received as collateral (e)	31/12/2021	31/12/2020
1. Derivatives		13,866	-	13,866	-	14,400	(534)	(1,248)
2. Reverse repurchase agreements		52,332	-	52,332	-	52,332	-	-
3. Securities lending		-	-	-	-	-	-	-
4. Other		-	-	-	-	-	-	-
Total	**31/12/2021**	**66,198**	**-**	**66,198**	**-**	**66,732**	**(534)**	**X**
Total	**31/12/2020**	**45,572**	**-**	**45,572**	**-**	**46,820**	**X**	**(1,248)**

This table shows the fair value of derivatives subject to master netting agreements or similar (CSAs) recorded under the balance sheet item "financial assets held for trading" and the amounts of corresponding security deposits recorded under "deposits from banks" and "deposits from customers". As of October 2021, the Bank complied with the EMIR clearing obligation for over-the-counter derivatives with Central Counterparties, to which it is subject, having exceeded one of the exemption thresholds provided for by EU legislation in the last year of observation. From the verification of the contractual documentation that governs the clearing mechanism, it emerged that these agreements do not comply with the criteria established by IAS 32 for the accounting offsetting of assets and liabilities.

The financial statement values of repurchase agreements made with counterparties with which GMRA framework agreements exist are also provided. The spot value of these transactions, corresponding to their book value, is recorded in Assets under "Financial assets measured at amortised cost" in "loans to banks" or "loans to customers" depending on the type of counterparty.

7. Financial liabilities subject to offsetting in the financial statements, or subject to master netting or similar agreements

Technical forms		Gross amount of financial liabilities (a)	Amount of financial assets offset in the financial statements (b)	Net amount of financial liabilities recognised in the financial statements (c=a-b)	Related amounts not subject to offsetting in the financial statements		Net amount (f=c-d-e)	Net amount
					Financial instruments (d)	Cash deposits lodged as collateral (e)	31/12/2021	31/12/2020
1. Derivatives		67,550	-	67,550	-	66,287	1,263	882
2. Reverse repurchase agreements		31,937	-	31,937	-	31,937	-	-
3. Securities lending		-	-	-	-	-	-	-
4. Other transactions		-	-	-	-	-	-	-
Total	**31/12/2021**	**99,487**	**-**	**99,487**	**-**	**98,224**	**1,263**	**X**
Total	**31/12/2020**	**59,099**	**-**	**59,099**	**-**	**58,217**	**X**	**882**

This table shows the fair value of derivatives subject to master netting agreements or similar (CSAs) recorded under the balance sheet item "financial liabilities held for trading" and the amounts of corresponding security deposits recorded under "loans and advances to banks" and "loans and advances to customers". As of October 2021, the Bank complied with the EMIR clearing obligation for over-the-counter derivatives with Central Counterparties, to which it is subject, having exceeded one of the exemption thresholds provided for by EU legislation in the last year of observation. From the verification of the contractual documentation that governs the clearing mechanism, it emerged that these agreements do not comply with the criteria established by IAS 32 for the accounting offsetting of assets and liabilities.

The financial statement values of repurchase agreements made with counterparties with which GMRA framework agreements exist are also provided. The spot value of these transactions, corresponding to their book value, is recorded in Liabilities under "Financial liabilities measured at amortised cost" in "deposits from banks" or "deposits from customers" depending on the type of counterparty.

8. Securities lending transactions

Banca Profilo has securities lending and borrowing transactions in place mainly with banking counterparties that provide for the payment of cash collateral that is fully available to the bank and is therefore represented in the financial statements in the same way as repurchase agreements. The balance at 31 December 2021 is equal to € 3.6 million in securities lending (€ 4.5 million at 31 December 2020) and € 73.7 million in securities borrowing (€ 58.1 million at 31 December 2020).

PART C - Information on the Consolidated Income Statement

Section 1 – Interest income/expenses and similar revenues/charges – Items 10 and 20

1.1 Interest income and similar revenues: breakdown

Items/Technical forms	Debt securities	Loans	Other transactions	Total 2021	Total 2020
1. Financial assets measured at fair value through profit and loss:	**3,617**	**-**	**-**	**3,617**	**3,028**
1.1 Financial assets held for trading	3,617	-	-	3,617	3,028
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily measured at fair value	-	-	-	-	-
2. Financial assets measured at fair value through other comprehensive income	**3,036**	**-**	**X**	**3,036**	**2,089**
3. Financial assets measured at amortised cost:	**5,754**	**6,346**	**-**	**12,100**	**9,417**
3.1 Loans and advances to banks	305	528	X	833	1,401
3.2 Loans and advances to customers	5,449	5,818	X	11,267	8,016
4. Hedging derivatives	**X**	**X**	**-**	**-**	**336**
5. Other assets	**X**	**X**	**5**	**5**	**60**
6. Financial liabilities	**X**	**X**	**X**	**775**	**943**
Total	**12,407**	**6,346**	**5**	**19,533**	**15,874**
of which: interest income from impaired financial assets	-	-	-	-	-
of which: interest income on finance lease	X	-	X	-	-

1.2 Interest income and similar revenues: other information

Item “6. Financial liabilities” includes the positive interest accrued on financial liabilities as an effect of negative rates. In particular, the amount includes the interest accrued on monetary policy operations aimed at long-term refinancing, in which the Bank participated, including the fourth TLTRO-III auction, including the benefit over the average rate of the “Deposit Facility Rate”.

1.2.1 Interest income from financial assets denominated in foreign currency

	2021	2020
Interest income from financial assets denominated in foreign currency	1,472	2.099

1.3 Interest expenses and similar charges: breakdown

Items/Technical forms	Payables	Securities	Other transactions	Total 2021	Total 2020
1. Financial liabilities measured at amortised cost	(1,861)	-	X	(1,861)	(1,619)
1.1 Deposits from central banks	-	X	X	-	-
1.2 Deposits from banks	(453)	X	X	(453)	(671)
1.3 Deposits from customers	(1,408)	X	X	(1,408)	(948)
1.4 Debt securities issued	X	-	X	-	-
2. Financial liabilities held for trading	-	-	(1)	(1)	(11)
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities and provisions	X	X	(19)	(19)	(32)
5. Hedging derivatives	X	X	(271)	(271)	-
6. Financial assets	X	X	X	-	-
Total	**(1,861)**	**-**	**(291)**	**(2,152)**	**(1,662)**
of which: interest expenses on lease payables	(49)	0	0	(49)	(56)

1.4.1 Interest expense from financial liabilities denominated in foreign currency

	2021	2020
Interest expenses on foreign currency liabilities	(59)	(132)

1.5 Differentials on hedging transactions

Items	Total 2021	Total 2020
A. Positive differentials on hedging transactions	1,706	2,276
B. Negative differentials on hedging transactions	(1,977)	(1,940)
C. Balance (A-B)	**(271)**	**336**

Section 2 - Fee and commission income/expenses - Items 40 and 50

2.1 Fee and commission income: breakdown

Type of services/Amounts	Total 31/12/2021	Total 31/12/2020
a) Financial instruments	12,993	10,131
1. Placement of securities	1,332	89
1.1 With firm assumption and/or on the basis of an irrevocable commitment	-	-
1.2 Without irrevocable commitment	1,332	89
2. Receipt and transmission of orders and execution of orders on behalf of clients	3,059	3,836
2.1 Receipt and transmission of orders for one or more financial instruments	2,156	2,754
2.2. Execution of orders on behalf of customers	903	1,082
3. Other commissions connected with activities related to financial instruments	8,602	6,207
of which: trading on own account	408	157
of which: individual portfolio management	8,099	5,938
b) Corporate Finance	5,081	1,519
1. Advice on mergers and acquisitions	-	-
2. Treasury services	-	-
3. Other commissions associated with corporate finance services	5,081	1,519
c) Investment advisory activities	3,495	3,194
d) Compensation and settlement	-	-
e) Management of collective portfolios	-	-
f) Custody and administration	1,713	1,082
1. Custodian bank	-	-
2. Other fees related to custody and administration activities	1,713	1,082
g) Central administrative services for collective portfolio management	-	-
h) Fiduciary activity	1,193	1,065
i) Payment services	287	253
1. Current accounts	219	209
2. Credit cards	6	11
3. Debit and other payment cards	4	-
4. Bank transfers and other payment orders	21	18
5. Other fees related to payment services	37	15
j) Distribution of third-party services	6,345	5,845
1. Management of collective portfolios	-	-
2. Insurance products	1,978	1,815
3. Other products	4,367	4,029
of which: individual portfolio management	-	-
k) Structured finance	-	-
l) Servicing activities for securitisation transactions	-	-
m) Commitments to disburse funds	-	-
n) Financial guarantees issued	187	157
of which: credit derivatives	-	-
o) Financing operations	8	109
of which: factoring transactions	-	-
p) Currency trading	43	80
q) Goods	-	-
r) Other income fees	39	63
of which: for management of multilateral trading facilities	-	-
of which: for management of organised trading systems	-	-
Total	**31,385**	**23,499**

2.2 Fee and commission expenses: breakdown

Type of services/amounts	Total 31/12/2021	Total 31/12/2020
a) Financial instruments	(1,771)	(1,770)
of which: trading in financial instruments	(1,771)	(1,770)
of which: financial instruments placement	-	-
of which: individual portfolio management	-	-
- Own	-	-
- Delegated to third parties	-	-
b) Compensation and settlement	(10)	-
c) Management of collective portfolios	-	-
1. Proprietary	-	-
2. Delegated to third parties	-	-
d) Custody and administration	(422)	(244)
e) Collection and payment services	(736)	(234)
of which: credit cards, debit cards and other payment cards	(703)	(220)
f) Servicing activities for securitisation transactions	-	-
g) Commitments to receive funds	-	-
h) Financial guarantees received	-	-
of which: credit derivatives	-	-
i) Off-site distribution of financial instruments, products and services	-	-
j) Foreign currency trading	-	-
k) Other commission expenses	(604)	(144)
Total	**(3,543)**	**(2,392)**

Section 3 - Dividends and similar income - Item 70

3.1 Dividends and similar income: breakdown

Items/Income	Total 2021 Dividends	Total 2021 Similar income	Total 2020 Dividends	Total 2020 Similar income
A. Financial assets held for trading	21,278	62	16,517	13
B. Other financial assets measured at fair value, as per mandatory requirements	0	0	0	0
C. Financial assets measured at fair value through other comprehensive income	65	0	25	0
D. Equity investments	0	0	0	0
Total	**21,343**	**62**	**16,543**	**13**

Dividends on financial assets held for trading are mainly linked to the primary market maker activity carried out on listed equity derivatives.

Section 4 – Net profit (loss) from trading – Item 80

4.1 Net profit (loss) from trading: breakdown

Transactions/Income components	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net Profit (loss) [(A+B)-(C+D)]
1. Financial assets held for trading	**10,228**	**23,366**	**(2,405)**	**(20,549)**	**10,639**
1.1 Debt securities	2,255	6,535	(1,438)	(2,372)	4,979
1.2 Equity securities	7,601	16,753	(900)	(15,250)	8,204
1.3 Units of UCITS	372	79	(67)	(79)	304
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	(2,848)	(2,848)
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**3,347**
4. Derivatives	**77,790**	**238,690**	**(102,023)**	**(238,084)**	**(23,627)**
4.1 Financial derivatives:	50,430	227,934	(77,020)	(225,503)	(24,159)
- On debt securities and interest rates	946	88,518	(2,442)	(86,353)	668
- On equity securities and stock indices	49,484	138,353	(74,578)	(137,945)	(24,686)
- On currencies and gold	X	X	X	X	-
- Other	-	1,063	-	(1,204)	(141)
4.2 Credit derivatives	27,360	10,756	(25,003)	(12,581)	533
of which: natural hedges related to fair value option	X	X	X	X	-
Total	**88,017**	**262,056**	**(104,428)**	**(258,633)**	**(9,640)**

The net result of trading activities (item 80) is calculated as the algebraic sum of the valuation and realisation components and is attributable to items "20.a Financial assets held for trading" and "40. Financial liabilities held for trading", of assets and liabilities respectively. For a better understanding of the Bank's financial operations, this result should be read together with the dividend result shown in the previous table as the shares on which the Bank received the aforementioned dividends recorded a loss immediately after the ex-dividend date, which is recorded in item 80. For "Derivative instruments", the valuation and realisation components are represented by single contract if concluded OTC, by single type of product if traded on stock exchange or regulated markets.

Section 5 – Net profit (loss) from hedging – Item 90

5.1 Net profit (loss) from hedging: breakdown

Income components/Amounts	Total 2021	Total 2020
A. Gains on:		
A.1 Fair value hedging instruments	18,328	5,272
A.2 Hedged financial assets (fair value)	8,302	6,122
A.3 Hedged financial liabilities (fair value)	-	-
A.4 Cash-flow hedging derivatives	-	-
A.5 Foreign currency assets and liabilities	-	-
Total gains from hedging activities (A)	**26,630**	**11,394**
B. Losses on:		
B.1 Fair value hedging instruments	(26,144)	(11,435)
B.2 Hedged financial assets (fair value)	(869)	(54)
B.3 Hedged financial liabilities (fair value)	-	-
B.4 Cash-flow hedging derivatives	-	-
B.5 Foreign currency assets and liabilities	-	-
Total losses from hedging activities (B)	**(27,013)**	**(11,489)**
C. Net profit (loss) from hedging (A - B)	**(383)**	**(95)**
of which: results of hedge accounting on net positions	-	-

The hedging activity refers exclusively to Banca Profilo S.p.A.

Section 6 – Income (loss) from disposal or repurchase - Item 100

6.1 Income (loss) from disposal or repurchase: breakdown

Items/Income components			Total 2021			Total 2020
	Profits	Losses	Net profit (loss)	Profits	Losses	Net profit (loss)
Financial assets						
1. Financial assets measured at amortised cost	3,555	-	3,555	3,028	-	3,028
1.1 Loans and advances to banks	225	-	225	28	-	28
1.2 Loans and advances to customers	3,330	-	3,330	3,000	-	3,000
2. Financial assets measured at fair value through other comprehensive income	5,689	(970)	4,719	10,109	(2,090)	8,019
2.1 Debt securities	5,689	(970)	4,719	10,109	(2,090)	8,019
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**9,243**	**(970)**	**8,274**	**13,136**	**(2,090)**	**11,046**
Financial liabilities measured at amortised cost	-	-	-	-	-	-
1. Deposits from banks	-	-	-	-	-	-
2. Deposits from customers	-	-	-	-	-	-
3. Debt securities issued	-	-	-	-	-	-
Total liabilities (B)	**-**	**-**	**-**	**-**	**-**	**-**

Section 7 - Net profit/(loss) from other financial assets and liabilities measured at fair value through profit and loss - Item 110

7.2 Net change in value of other financial assets and liabilities measured at fair value through profit and loss: composition of other financial assets mandatorily measured at fair value

Transactions/Income components	Capital gains (A)	Profits from realisation (B)	Capital losses (C)	Losses from realisation (D)	Net Profit (loss) [(A+B)-(C+D)]
Transactions/Income components	**-**	**-**	**-**	**-**	
1. Financial assets	**-**	**-**	**(38)**	**-**	**(38)**
1.1 Debt securities	-	-	-	-	-
1.2 Equity securities	-	-	(38)	-	(38)
1.3 Units of UCITS	-	-	-	-	-
1.4 Loans	-	-	-	-	-
2. Financial assets: exchange differences	**-**	**-**	**-**	**-**	**-**
Total	**-**	**-**	**(38)**	**-**	**(38)**

At 31 December 2021, Banca Profilo has fully depreciated its indirect investment in Banca Carige S.p.A. through the Interbank Deposit Protection Fund, classified under Financial assets mandatorily valued at fair value, recognising a value adjustment of € 38 thousand in item 110 of the Income Statement.

Section 8 – Net value adjustments/reversals for credit risk – Item 130

8.1 Net value adjustments/reversals on financial assets measured at amortised cost: breakdown

Transactions/Income components	Value adjustments (1)						Reversals (2)				Total	Total
			Stage 3		Impaired, acquired, or originated							
	Stage 1	Stage 2	Write-offs	Other	Write-offs	Other	Stage 1	Stage 2	Stage 3	Impaired, acquired, or originated	31/12/2021	31/12/2020
A. Loans and advances to banks	**(17)**	**-**	**-**	**-**	**-**	**-**	**24**	**-**	**-**	**-**	**7**	**(34)**
- Loans	(17)	-	-	-	-	-	24	-	-	-	7	(34)
- Debt securities	(0)	-	-	-	-	-	-	-	-	-	(0)	0
B. Loans and advances to customers	**16**	**(31)**	**-**	**(1,327)**	**-**	**-**	**125**	**-**	**29**	**-**	**(1,188)**	**(280)**
- Loans	16	(31)	-	(1,327)	-	-	119	-	29	-	(1,194)	(373)
- Debt securities	-	-	-	-	-	-	6	-	-	-	6	93
Total	**(1)**	**(31)**	**-**	**(1,327)**	**-**	**-**	**149**	**-**	**29**	**-**	**(1,181)**	**(315)**

8.1a Net value adjustments/reversals on credit risks related to loans measured at amortised cost subject to COVID-19 support: breakdown

Transactions/Income components	Net value adjustments							
				Stage 3	Impaired, acquired, or originated		Total	Total
	Stage 1	Stage 2	Write-offs	Other	Write-offs	Other	31/12/2021	31/12/2020
1. Loans subject to concession compliant with GL	-	-	-	(405)	-	-	**(405)**	**(6)**
2. Loans subject to moratorium measures in place no longer compliant with GL and not assessed as concessionary	-	-	-	-	-	-	**-**	**-**
3. Loans subject to other forbearance measures	-	-	-	-	-	-	**-**	**-**
4. New loans	61	(4)	-	-	-	-	**57**	**(73)**
Total 31/12/2021	**61**	**(4)**	**-**	**(405)**	**-**	**-**	**(348)**	**(79)**
Total 31/12/2020	**(79)**	**-**	**-**	**-**	**-**	**-**	**(79)**	**-**

8.2 Net value adjustments/reversals on financial assets measured at fair value through other comprehensive income: breakdown

Transactions/Income components	Value adjustments (1)						Reversals (2)				Total 31/12/2021	Total 31/12/2020
	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. Debt securities	(93)	-	-	-	-	-	-	-	-	-	(93)	17
B. Loans	-	-	-	-	-	-	-	-	-	-	-	-
- to customers	-	-	-	-	-	-	-	-	-	-	-	-
- to banks	-	-	-	-	-	-	-	-	-	-	-	-
Total	**(93)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(93)**	**17**

Section 12 - Administrative expenses - Item 190

12.1 Personnel expenses: breakdown

Type of expenses/Amounts	Total 2021	Total 2020
1) Employees	(27,346)	(23,190)
a) wages and salaries	(19,611)	(17,236)
b) social security charges	(4,603)	(4,242)
c) severance indemnity	-	-
d) social security expenses	-	-
e) provision for employee severance indemnity	(22)	(19)
f) provision for pension funds and similar obligations:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) contributions to external pension funds:	(907)	(826)
- defined contribution	(907)	(826)
- defined benefit	-	-
h) costs related to share-based payment agreements	-	-
i) other employee benefits	(2,203)	(867)
2) Other staff	(135)	(298)
3) Directors and Statutory Auditors	(1,312)	(1,390)
4) Retired personnel	-	-
Total	**(28,793)**	**(24,878)**

12.2 Average number of employees by category

	Average number 2021	Average number 2020
Employees		
a) executives	53	46
b) middle managers	80	75
c) remaining staff	45	45
Other staff	-	-
Total	**178**	**166**

12.5 Other administrative expenses: breakdown

	2021	2020
Expenses for professional, legal, and advisory services	(1,674)	(1,314)
Insurance premiums	(96)	(85)
Advertising	(896)	(410)
Postal, telegraph and telephone	(406)	(376)
Printed matter and stationery	(91)	(26)
Maintenance and repairs	(466)	(360)
Data processing and transmission services	(8,822)	(8,318)
Electricity, heating and condominium expenses	(335)	(231)
Charges for various services provided by third parties	(1,460)	(1,285)
Cleanliness and hygiene	(281)	(272)
Transport and travel	(135)	(122)
Security and transport of valuables	(43)	(36)
Subscription fees	(168)	(199)
Certification fees	(267)	(245)
Subscriptions to newspapers, magazines and publications	(16)	(20)
Rents payable	(913)	(900)
Entertainment expenses	(65)	(66)
Indirect taxes and duties	(4,781)	(4,180)
Charges relating to the banking system	(1,378)	(1,335)
Sundry and residual	(883)	(813)
Total	**(23,176)**	**(20,593)**

The aggregate of charges relating to the banking system contains the contribution to the National Resolution Fund of € 1.2 million. As far as the ordinary contribution to the Interbank Deposit Protection Fund is concerned, the amount paid in December 2021 was € 194 thousand.

Section 13 - Net provisions for risks and charges - Item 200

13.1 Net provisions for credit risk relating to commitments to disburse funds and financial guarantees issued: breakdown

The item includes an amount of € 37 thousand relating to reversals of financial guarantees issued. As at 31 December 2020 the item amounted to € 50 thousand of value adjustments.

13.3 Other net provisions for risks and charges: breakdown

The net allocations under the item "Provision for risks and charges - others" are positive for € 40 thousand and refer to the re-allocation to the Income Statement of provisions made in previous years, following the resolution, with a positive outcome for the Bank, of disputes outstanding at the end of 2020. The value at 31 December 2020 amounted to € 457 thousand of value reversals.

Section 14 - Net value adjustments/reversals on property, plant and equipment - Item 210

14.1. Net value adjustments on property, plant and equipment: breakdown

Asset/Income component	Amortisation	Value adjustments for impairment	Reversals of impairment losses	Net profit (loss)
	(a)	(b)	(c)	(a + b - c)
A. Property, plant and equipment				
1 Used in the business	(1,398)	-	-	(1,398)
- Owned	(689)	-	-	(689)
- Rights of use acquired through lease	(709)	-	-	(709)
2 Held for investment	(41)	-	-	(41)
- Owned	(41)	-	-	(41)
- Rights of use acquired through lease	-	-	-	-
3 Inventory	X	-	-	-
Total	**(1,439)**	-	**-**	**(1,439)**

Depreciation of property, plant and equipment was determined in relation to both the degree of use of the assets and their estimated useful life, applying the rates listed below for the calculation:

- property 2.5%
- office furniture and machines 12%
- furnishings 15%
- machinery, apparatus and miscellaneous equipment 15%
- motor vehicles and internal transport 20%
- armoured counters and safes 20%
- electromechanical and electronic office machines 20%
- IT systems 20%
- cars 25%
- alarm systems 30%

The sub-item "Rights of use acquired through leases" includes the amortisation in constant instalments calculated over the duration of the contract, of the Rights of use registered pursuant to the IFRS 16 accounting standard.

Section 15 - Net value adjustments/reversals on intangible assets - Item 220

15.1 Net value adjustments/reversals on intangible assets: breakdown

Asset/Income component	Amortisation	Value adjustments for impairment	Reversals of impairment losses	Net profit (loss)
	(a)	(b)	(c)	(a + b - c)
A. Intangible assets				
of which: software	(895)	-	-	(895)
A.1 Owned	(895)	-	-	(895)
- Generated internally by the company	-	-	-	-
- Other	(895)	-	-	(895)
A.2 Rights of use acquired through lease	-	-	-	-
B. Assets held for sale	-	-	-	-
Total	**(895)**	**-**	**-**	**(895)**

The item includes amortisation related to software for multi-year use.

Section 16 - Other operating income/expenses - Item 230

16.1 Other operating expenses: breakdown

	2021	2020
Other operating expenses		
Other expenses	(1,635)	(591)
Total operating expenses	**(1,635)**	**(591)**

These are mainly expenses relating to the activities of Banca Profilo and its subsidiaries that cannot be classified under other specific items in the income statement.

16.2 Other operating income: breakdown

	2021	2020
Other operating income		
Recovery of expenses from customers	441	157
Indirect tax recoveries	4,435	3,840
Recovery of expenses on services to Group companies	131	131
Refunds from lawsuits	3	51
Other income	956	774
Total operating income	**5,966**	**4,953**

Section 19 - Value adjustments to goodwill - Item 270

On the basis of the “impairment test” carried out on the goodwill recorded under item 100 “Intangible assets” of the Balance Sheet Assets, as reported in the comment to section 10 of Part B - Information on the Balance Sheet, it was necessary to make a value adjustment of € 128 thousand on the Goodwill relating to the lending and custody and individual asset management business unit in the financial years 2003 and 2004. Please refer to the relevant section of the notes for further details.

Section 21 - Tax on income for the year for continuing operations - Item 300

21.1 Tax on income for the year for continuing operations: breakdown

Income components/Amounts	Total 2021	Total 2020
1. Current taxes (-)	(4,779)	(1,906)
2. Changes of current taxes of previous years (+/-)	(34)	71
3. Decreases in current taxes for the year (+)	-	35
3.bis Decreases in current taxes for the year due tax credit pursuant to in Law No. 214/2011 (+)	-	26
4. Change in deferred tax assets (+/-)	(264)	(2,538)
5. Change in deferred tax liabilities (+/-)	422	-
6. Tax expense for the year (-) (-1+/-2+3+3bis+/-4+/-5)	(4,655)	(4,312)

With reference to the previous year, the portion of the current IRES charge subject to offsetting with previous losses, equal to € 1,952 thousand of prepaid tax assets, was included in point 4) change in prepaid taxes. This offsetting has fully absorbed the previous losses, therefore the current IRES 2021 is incorporated in its entirety in Current taxes.

21.2 Reconciliation of theoretical tax burden and actual tax burden in the financial statements

Income components/Amounts	2021
Current taxes:	(4,923)
IRES	(4,380)
- of which a decrease in deferred tax assets for offsetting past tax losses	-
IRAP	(543)
Foreign taxes	-
Change in deferred tax assets:	(120)
IRES increases	397
IRES decreases	(483)
IRAP increases	7
IRAP decreases	(41)
Foreign tax increases	-
Foreign tax reductions	-
Change in deferred tax liabilities:	422
IRES increases	-
IRES decreases	-
IRAP increases	-
IRAP decreases	-
Foreign tax increases	-
Foreign tax reductions	-
Changes in current taxes of previous years	(34)
Decreases in current taxes for the year	-
Taxes pertinent to the period	(4,655)

IRAP (Amounts in €/thousand)	2021
Gross profit for the year	16,280
Theoretical rate	5.57%
Theoretical tax burden	907
Non-relevant IRAP costs/revenues	49,151
Increases	6,247
Decreases	(60,658)
Total changes	(5,260)
Tax charge on changes	(293)
Taxable current taxes	11,020
Current tax burden	614
Increase in deferred tax assets for deductible temporary differences	(7)
Decrease in deferred tax assets for deductible temporary differences	41
Increase in deferred tax liabilities for taxable temporary differences	-
Decrease in deferred tax liabilities for taxable temporary differences	(71)
Actual tax charge for the year	577
Actual tax charge for the year %	3.54%

IRES (Amounts in €/thousand)	2021
Gross profit for the year	16,280
Theoretical rate	27.50%
Theoretical tax burden	4,477
Increases	3,528
Decreases	(2,604)
Total changes	924
Tax charge on changes	254
Taxable current taxes	17,204
Current tax burden	4,731
Increase in deferred tax assets for deductible temporary differences	(397)
Decrease in deferred tax assets for deductible temporary differences	483
Increase in deferred tax liabilities for taxable temporary differences	-
Decrease in deferred tax liabilities for taxable temporary differences	(351)
Actual tax burden - taxes for the year	4,466
Actual tax burden - taxes for the year %	27.43%

Section 22 - Profit/(Loss) from discontinued operations after tax - Item 320

22.1 Profit/(Loss) from discontinued operations net of tax: breakdown

Income components/Amounts	Total 31/12/2021	Total 31/12/2020
1. Income	5,756	12,735
2. Charges	(5,708)	(13,844)
3. Result of the valuations of the group of assets and associated liabilities	-	-
4. Profit/(losses) on realisation	2,859	-
5. Taxes and duties	(171)	73
Profit/(loss)	**2,736**	**(1,036)**

The figures shown in this table refer to the contribution of the Banque Profil de Gestion sub-group, presented in this section in accordance with IFRS 5 and the standards of circular no. 262 of the Bank of Italy, and the effect deriving from the disposal of the assets and liabilities of this sub-group, completed on 1 June 2021.

The realised gain was determined as the difference between the sale price and the book value of the assets and liabilities sold by the Group.

The consideration for the sale, initially set at 35.0 million Swiss francs (€ 31.9 million at the exchange rate of 31 May 2021), had already been determined taking into account an extraordinary distribution of dividends, which took place in April 2021, and the capital increase deriving from the exercise of stock options by the beneficiary personnel. The transaction price also took into account certain price adjustments provided for in the agreement signed on 9 February 2021, and therefore amounts to 31.8 million Swiss francs (€ 28.9 million), for a cash consideration equal to 31.2 million Swiss francs (€ 28.4 million), amounts already net of the indemnities recognised by Banca Profilo to cover specific costs or potential risks, equal to € 0.5 million, recognised in other operating expenses. Gross of indemnities, the sale price is € 29.4 million.

Comparing this value with the book value of the assets and liabilities subject to disposal, equal to € 26.6 million at 31 May 2021, a realisation gain of € 2.85 million emerges.

22.2 Detail of income taxes relating to discontinued operations

Income tax from discontinued operations amounted to € 171 thousand and includes the tax recognised by Banca Profilo on the dividend that Banque Profil de Gestion distributed during 2021 and the contribution of taxation for the first five months of 2021 of the Swiss entity.

Section 23 - Profit (loss) for the year attributable to non-controlling interests - Item 340

23.1 Details of item 340 “Profit (loss) attributable to non-controlling interests”

The loss for the year attributable to non-controlling interests amounted to € 88 thousand and related to 39.16% for the sub-consolidation of Banque Profil de Gestion SA until 31 May 2021.

Section 25 - Earnings per Share (EPS)

25.1 Average number of diluted ordinary shares

The average number of Banca Profilo's shares outstanding in 2021 was 653,617,492 determined on a monthly basis and taking into account the shares issued net of treasury shares in the portfolio. The basic earnings per share for 2021 is equal to € 0.014, calculated on the net profit for the year after tax, corresponding to item 310 of the Consolidated Income Statement, which does not include the result of the disposal Groups. On the other hand, referring to the Parent Company's Profit for the year (item 350 of the Consolidated Income Statement), which incorporates the Group's share of the result deriving from Foreign Activities, the profit per share is equal to € 0.018. The average number of diluted ordinary shares was 653,617,492. The diluted earnings per share for 2021 therefore correspond to the basic earnings.

PART D – Consolidated Statement of Comprehensive Income

Analytical statement

Items	12 2021	12 2020
10. Profit/(loss) for the year	**11,625**	**8,298**
Other income without reversal to income statement		
20. Equity securities measured at fair value through other comprehensive income		
a) changes in fair value	(1,109)	2,484
b) transfers to other components of shareholders' equity		
30. Financial liabilities measured at fair value through profit and loss (changes in its creditworthiness)		
a) changes in fair value		
b) transfers to other components of shareholders' equity		
40. Hedging on equity securities measured at fair value through other comprehensive income		
a) changes in fair value (hedged instrument)		
b) changes in fair value (hedging instrument)		
50. Property, plant and equipment		
60. Intangible assets		
70. Defined benefit plans	9	(1,954)
80. Non-current assets held for disposal		
90. Share of valuation reserves of equity investments valued at equity		
100. Income taxes relating to other income without reversal to the income statement	(108)	275
Other income with reversal to income statement		
110. Hedging of foreign investments:		
a) changes in fair value		
b) reversal to income statement		
c) other changes		
120. Exchange differences:		
a) changes in value		
b) reversal to income statement		
c) other changes	(5)	(13)
130. Cash flow hedges:		
a) changes in fair value		
b) reversal to income statement		
c) other changes		
of which: results of net positions		
140. Hedging instruments (elements not designated)		
a) changes in value		
b) reversal to income statement		
c) other changes		

Items	12 2021	12 2020
150. Financial assets (other than equity securities) measured at fair value through other comprehensive income		
a) changes in value	593	2,785
b) reversal to income statement		
- adjustments for credit risk	81	(47)
- realised gains/losses	(1,439)	1,923
c) other changes		4
160. Non-current assets and disposal groups held for sale		
a) changes in value		
b) reversal to income statement		
c) other changes		
170. Share of valuation reserves of equity investments valued at equity		
a) changes in value		
b) reversal to income statement		
- adjustments for credit risk		
- realised gains/losses		
180. Income taxes relating to other income without reversal to the income statement	253	(1,594)
190. Total other income	**(1,725)**	**3,863**
200. Comprehensive income (Item 10+190)	**9,900**	**12,161**
210. Consolidated comprehensive income attributable to non-controlling interests	**(88)**	**(1,143)**
220. Consolidated comprehensive income attributable to the Parent Company	**9,988**	**13,304**

It should be noted that the figure for 2020 also includes the contribution of Banque Profil de Gestion, and in particular negative € 1.9 million on defined benefit plans. The contribution of the Swiss subsidiary for financial year 2021 was recognised exclusively up to 31 May as on 1 June the closing of the sale of the investee was completed and Banca Profilo lost control of the Geneva company. The discharge of the Banque Profil de Gestion valuation reserve due to the de-consolidation following the disposal does not contribute to the Group’s overall profitability.

Part E - Information on Risks and Hedging Policies

Section 1 - Risks associated with the consolidation of accounts

1.1 - CREDIT RISKS

QUALITATIVE INFORMATION

With regard to qualitative information, reference should be made to Section 2 - Risks of prudential consolidation of this Part E.

QUANTITATIVE INFORMATION

A. Credit quality

A.1 Non-performing and performing credit exposures: amounts, value adjustments, changes and economic distribution

A.1.1 Breakdown of financial assets by portfolio and credit quality (book values)

Portfolios/quality	Bad loans	Unlikely to pay	Non-performing past due exposures	Performing past due exposures	Other performing exposures	Total
1. Financial assets measured at amortised cost	-	5,469	214	769	941,731	948,183
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	209,454	209,454
3. Financial assets designated at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	-	-
5. Financial assets held for sale	-	-	-	-	-	-
Total 31/12/2021	**-**	**5,469**	**214**	**769**	**1,151,185**	**1,157,637**
Total 31/12/2020	**-**	**762**	**169**	**860**	**1,130,042**	**1,131,833**

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

Portfolios/quality		Non-performing				Performing			Total (net exposure)
		Gross exposure	Overall value adjustments	Net exposure	Total partial write-offs*	Gross exposure	Overall value adjustments	Net exposure	
1. Financial assets measured at amortised cost		11,526	(5,843)	5,683	-	942,962	(462)	942,500	948,183
2. Financial assets measured at fair value through other comprehensive income		-	-	-	-	209,576	(122)	209,454	209,454
3. Financial assets designated at fair value		-	-	-	-	X	X	-	-
4. Other financial assets mandatorily measured at fair value		-	-	-	-	X	X	-	-
5. Financial assets held for sale		-	-	-	-	-	-	-	-
Total	**31/12/2021**	**11,526**	**(5,843)**	**5,683**	**-**	**1,152,538**	**(584)**	**1,151,954**	**1,157,637**
Total	**31/12/2020**	**5,792**	**(4,861)**	**931**	**-**	**1,131,811**	**(909)**	**1,130,902**	**1,131,833**

** Value to be presented for disclosure purposes*

Portfolios/quality		Assets with evident poor credit quality		Other assets
		Accumulated capital losses	Net exposure	Net exposure
1. Financial assets held for trading		-	-	288,529
2. Hedging derivatives		-	-	1,444
Total	**31/12/2021**	**-**	**-**	**289,973**
Total	**31/12/2020**	**-**	**-**	**325,034**

B. Information on structured entities (other than securitisation vehicles)

Banca Profilo and its subsidiaries have not carried out any transactions on structured entities.

Section 2 - Risks of prudential consolidation

1.1 - CREDIT RISK

QUALITATIVE INFORMATION

1. General information

Within the Group, only Banca Profilo carries out traditional lending activities, in compliance with the Credit Policy guidelines approved by the Parent Company's Board of Directors. Since the Bank's core business is Private Banking, its credit policy favours loans to private customers, in the form of Lombard loans, i.e. loans secured by pledges on financial instruments or asset management schemes held by customers with Banca Profilo or by mortgage guarantees.
During 2021, within a specific ceiling approved by the Board of Directors, Banca Profilo pursued the disbursement of loans to companies guaranteed by the Guarantee-MCC Fund or by SACE, in accordance with the provisions of the so-called Liquidity Decree.
With particular reference to the moratoria in compliance with Italian Law Decree no. 18 of 17 March 2020 and the disbursements in accordance with Italian Law Decree no. 23 of 8 April 2020, the Group had outstanding moratoria of € 3.0 million at 31 December 2021. During the year, moratoria were activated on a number of entirely residual positions, for which an accounting and prudential treatment was carried out in accordance with the EBA Guidelines of 25 March 2020 and 2 April 2020. For more details from a quantitative point of view, please refer to the following section "Quantitative information".

In compliance with current regulations on the subject, the disclosure by entities to the public (Third Pillar) provided for by Regulation (EU) no. 575/2013 ("CRR"), drawn up by the Banca Profilo banking group, Arepo BP S.p.A., is made public, in accordance with the law, on the Banca Profilo website in the Investor Relations area, in the Pillar III Public Disclosure section.
Delivery and counterparty risks are instrumental to the performance of operations typical of the Finance Area of Banca Profilo. The Group operates in such a way as to minimise these credit risk components: a) for delivery risk, by using DVP (delivery versus payment) type guarantee mechanisms for the settlement of transactions; b) for counterparty risk, by using collateral agreements with daily margining with all financial counterparties with which it operates in over-the-counter or repo derivatives.
As of October 2021, the Bank complied with the EMIR clearing obligation for over-the-counter derivatives, to which it is subject, having exceeded one of the exemption thresholds provided for by EU legislation in the last year of observation.

Impacts resulting from the COVID-19 pandemic
With reference to credit risk, the economic crisis resulting from the COVID-19 pandemic could impact in the medium to long term on the ability of businesses and households to regularly repay their debts to the banking system. This, in addition to causing an increase in impaired loans, could also have a negative impact on the valuation of performing loans, with a prospective increase in overall impairment, without prejudice to the impacts and mitigations attributable to the effects of government measures undertaken in the last two years. Given the amount and type of loans disbursed (mainly Lombard receivables to private customers, guaranteed by pledges on securities), this risk for the Group is limited overall.

As previously mentioned, during the course of 2021, within a specific ceiling approved by the Board of Directors, the parent company Banca Profilo pursued the disbursement of loans to companies guaranteed by the MCC Guarantee Fund or by SACE, in accordance to the provisions of the so-called Liquidity Decree: on the portion of the loans not guaranteed by the Fund (10% - 20% of the total), the Bank is subject to the risk that the prolongation of the pandemic situation could cause a deterioration of loans and an increase in impairment.

Furthermore, the very volatile trend of the financial markets could also have a negative impact on the value of the collateral held (mainly securities), therefore the frequency of checks on the adequacy of the collateral was stepped up with respect to the ordinary frequency. Furthermore, as previously illustrated, regarding the definition of the collective value adjustments on the performing loan portfolio, the macroeconomic scenarios underlying the definition of the PD used in the collective devaluation were updated, in order to anticipate the expected negative effects on the economy.

<u>Update of rating models</u>
At the beginning of 2021, the CSE outsourcer carried out an update of the rating model aimed at including the new definition of default and therefore a recalibration of the underlying models and indicators over a more recent time horizon. Following this update, the Bank carried out an analytical assessment of a significant portion of its receivables portfolio (approximately 11% of receivables from customers as at 31 December 2021), confirming its classification at stage 1.

<u>New Definition of Default ("DoD")</u>
It should be noted that, with effect from 1 January 2021, the application of the New Definition of Default ("DoD" - Definition of Default), contained in article 178 of Regulation 575/2013 (CRR) already compliant with the definition of "impaired" financial assets contained in the IFRS 9 accounting standards.
The aforementioned legislation, while confirming the bases of default in late payments and probable default by the debtor, introduces some more stringent criteria for identifying impaired positions and for the subsequent return to performing status. In particular, the New Definition of Default establishes the criteria for identifying the past due, the management method of the indicators to be considered for the purpose of identifying probable default, the specific aspects of retail exposures, and the criteria for returning to a performing status. In detail, the main changes introduced with respect to the legislation in force previously concern the following areas:

- new definition of past due:
  - lowering the "relative" relevance threshold from 5% to 1% (threshold calculated as the ratio between the past due and/or overrun amount and the customer's overall exposure, both determined at Banking Group level without off-setting with any available margins of other credit lines);
  - introduction of an "absolute" significance threshold differentiated by type of exposure (€ 100 for retail and € 500 for non-retail, to be compared with the total amount overdue and/or overdue from the debtor);
  - classification of a debtor in default (NPE) when both relevance thresholds are jointly exceeded for 90 consecutive days;
- introduction of an observation period of at least 3 months in preparation for the reclassification to performing for debtors previously classified as default (Non Performing Exposure) who regularise their position;
- classification of a debtor in default in a homogeneous manner at the level of the Banking Group, that is, on all the credit obligations active at the Group companies;
- classification of the debtor in a state of default in the event that the onerous restructuring involves a reduced financial obligation, greater than 1% compared to the previous one (i.e. Δ NPV> 1%);
- introduction of new propagation rules/evaluation of the propagation of the default status of a position on the basis of the existing link with other positions that have passed into non -performing status;
- impossibility for the bank to offset the past due/overdue amounts existing on some credit lines of the debtor with other credit lines open and not used by the same (so-called available margins).

In light of the high credit quality of the bank's loan portfolio and the limited overdraft positions as of 1 January 2021, the first application of the criteria envisaged by the New Definition of Default had negligible impacts in terms of both classification among impaired positions (past due) and in terms of value adjustments.

Geopolitical risk
An update on the exposure to potential direct and indirect impacts possibly deriving from the current crisis in Ukraine is provided below.
The Group's direct exposure to Russian or Ukrainian counterparties is nil, as the Finance Area has no counterparties resident in these jurisdictions or investments in bonds or shares of issuers resident in the two countries or denominated in roubles and, with reference to credit activity, there are no loans granted to Russian or Ukrainian customers or to companies that operate directly with those markets.
As regards the possible indirect effects, the general trend of the financial markets should be noted first of all, which is suffering very negative effects from the current crisis. This trend could negatively affect the performance of some trading desks, especially of shares characterised by directional strategies.
Furthermore, in the long term, the Group's exposure must be considered, both in terms of equity and bond investments and in terms of counterparty risk to those Italian and foreign banks, which in turn have a significant exposure to Russia and the Ukraine.
The above risks are constantly monitored and some risk mitigation measures have already been implemented, especially on the share portfolio. Overall, however, it should be noted that the performance of Banca Profilo's financial portfolio has not currently been negatively affected by market trends, having recorded a performance exceeding the budget target for the period and the result achieved last year on the same date (reference date 10 March).
With reference to credit activity, the persistence of the conflict situation and the sanctioning regime could have heavy effects on the Italian production system, linked to the ever-increasing cost of energy and some raw materials (or even the interruption of some supplies). This situation could have negative consequences on the ability of some companies to repay the loans provided by Banca Profilo. In this regard, however, it should be noted that the loans to operating companies disbursed by the Bank are all substantially guaranteed by the Guarantee-MCC Fund and this helps to contain the Bank's overall exposure in this scenario.
A sharply negative market trend could also erode the value of the securities that private customers have pledged with the Bank as collateral for Lombard loans. For this reason, the frequency of checks on the adequacy of the pledges has been prudently increased: currently, none of the Lombard loans have guarantees in which the margins have been eroded beyond the limits that lead to the activation of internal escalation processes.

2. Credit risk management policies

2.1. Organisational aspects

In accordance with the Guidelines issued by the Parent Company and the Group Risk Appetite Framework (RAF), for the performance of activities involving the assumption of credit risk, the Group bank has adopted specific Credit Regulations, which formalise the processes and criteria to be applied when granting loans or a credit line: this document is approved by the Board of Directors and periodically reviewed.

The Credit Regulations are based on the following guidelines:

- separation of tasks and responsibilities between the functions that manage the relationship and instruct credit line practices, those that grant and administer credit lines and those that measure and monitor risks;
- attribution of the concession activity to collective bodies (Credit Committee or Board of Directors), with different powers depending on the type of line requested, the amount, the existence or otherwise of collateral based on well-defined limits of autonomy; the decision-making autonomy of individual parties (Chief Executive Officer or other equivalent function) may be provided for operations of reduced amount.

The Credit Regulations also provide for the following:

- the types of collateral deemed eligible and the criteria for determining the spread applied to each type of collateral; the spread shall be determined prudently, taking into account the degree of liquidity of the collateral and the possible variability of its value in relation to changes in market factors;
- the technique of measuring counterparty risk according to a "mark to market + add on" methodology;
- the frequency of monitoring compliance with the lines or credit lines granted, the creditworthiness of the customer or counterparty, the appropriateness of the value of the guarantees.

2.2. Management, measurement and control systems

Banca Profilo's credit function verifies at least monthly the amount of loans granted and utilised, the adequacy of guarantees or collateral received, compliance with credit lines for derivative transactions, and prepares the related reports at meetings of the Credit Committees and the Board of Directors. The same function periodically reviews the creditworthiness of customers and counterparties.

The risk control function of Banca Profilo verifies the correct operation of performance monitoring on individual exposures, in particular non-performing exposures, and the consistency of classifications, the appropriateness of provisions, and the adequacy of the recovery process.

In accordance with supervisory regulations, counterparty risk is measured internally in terms of mark to market + add on. An amount (add on) is added to the mark to market of the outstanding derivatives, which represents the current exposure to a given counterparty, to take into account the potential future exposure associated with the individual contracts. The add on is differentiated for each derivative contract depending on its residual duration and type, according to a table drawn up internally.

2.3. Methods and measurement of expected losses

The expected loss model has been adopted to measure the impairment of financial assets held in the portfolio, with two types of calculation: 12 months expected credit losses for loans classified as stage 1 and lifetime expected credit losses for those classified as stage 2 or 3.

Non-performing loans are subject to an analytical valuation process regardless of the amounts involved. The quantification of impairment also takes into account existing guarantees. More specifically, the policy on the criteria for the classification and valuation of company assets establishes the minimum write-down percentages for the various stages of non-performing loans, set out below, and which can only be reduced in the presence of objective evidence: the actual write-down percentages are decided by the Credit Committee. In particular, past due/overdrawn positions are broken down internally on the basis of:
- days of continuous past due (more than 90 days);
- presence of collateral received;
- percentage coverage of the position by the guarantees.

On the basis of the three indicators, a consistent write-down percentage is applied.

Loans and securities for which no objective evidence of loss has been individually identified fall within the so-called "performing loans" (performing positions) and are subject to collective valuation.
The valuation model for the Generic fund must be established on the basis of the following formula:
ECL = EAD x PD x LGD
where:
ECL = Expected Credit Loss
EAD = Exposure at Default
PD = Probability of Default
LGD = Loss given Default

Collective write-downs of securities and loans must therefore be calculated according to the following principles:
- at each reporting date, if the credit risk of a financial instrument has not significantly increased with respect to the date of disbursement or purchase (stage 1), the expected loss for that financial instrument should be measured as the amount of expected losses in the following 12 months;
- at each reporting date, if the credit risk of a financial instrument has significantly increased with respect to the date of disbursement or purchase (stage 2), the expected loss for that financial instrument should be measured as the amount of expected losses over the remaining life of the instrument (lifetime);

For the purposes of staging financial assets, each asset is classified at the origination date in "stage 1" and subsequently:
- with regard to securities, the deterioration of three notches on the rating attributed to the instrument itself by external rating agencies, together with a final speculative grade rating, will be considered evidence of a significant increase in credit risk, and therefore a move to "stage 2" for the security;

- with regard to loans, the deterioration of three notches on the internal rating assigned to the position will be considered evidence of a significant increase in credit risk. In this regard, the credit risk of an asset may not be considered significantly increased if, at the measurement date, the credit risk of the asset itself is considered low on the basis of the assessments made by the Credit Committee.

With regard to the criteria for determining PDs and LGDs to be applied by counterparty and instrument to positions, the approaches differ between securities and loans.

With regard to securities, issuer-specific PDs are extracted from listed credit spreads (CDS and listed bonds) or, in the absence of significant market data for an issuer, by proxy methodology. Market spreads are stripped of the risk premium component to arrive at the estimate of real PDs according to a "real world" approach. LGDs are associated with the respective issues, differentiating according to the level of subordination (senior and subordinated issues) and the country of the issuer (60% and 80% for a developed country issuer, 75% and 100% for an emerging country issuer, respectively); for covered issues, the LGD varies (from 20% to 60%) depending on the rating assigned to the security in question.

With reference to loans, the PDs used are estimated starting from the construction of Pit (Point in time) migration matrices from historical databases on which future PDs are built based on simulations of different macroeconomic scenarios. Finally, PD averages weighted by the probability of occurrence of the scenarios are calculated. For Lombard loans, the LGDs obtained on the basis of the consortium models are adjusted to 5% if the value of the guarantee (net of internally established prudential spreads) is large in relation to the value of the loan disbursed. For loans guaranteed by the MCC Guarantee Fund, the LGDs on the guaranteed portion of the loans are adjusted to take into account the state guarantee, multiplying by LGD and PD associated with Italian government bonds.
With regard to the historical series of default rates, the parent company updated the data at the beginning of 2021, using the data as at 31 December 2020, taking into account the changes in status recorded in 2020 on its credit positions in order to have a more precise calibration of the historical series recorded in the valuation model at the consortium level. In addition, the main macroeconomic variables were updated to determine the forward looking component.
Specifically, three macroeconomic scenarios have been selected at the consortium level: a baseline, an up scenario and a down scenario. A weight of 90% is applied to the baseline, while a weight of 5% is applied to the Up and Down scenarios.
The baseline scenario is the central reference scenario and is therefore considered to be the most likely scenario. The "Down" and "Up" Scenarios represent alternative, respectively worse and better scenarios than the "Baseline Scenario":

- According to the "Baseline Scenario", the Italian economy, after contracting by 8.9% in 2020, recorded growth of 6% in 2021. Economic expansion is expected to continue over the next three years, with GDP growing by 3.9% in 2022, 2.8% in 2023 and 1.9% in 2024. The unemployment rate, after an estimated peak of 10.6% for the fourth quarter of 2021, is expected to gradually decline reaching 9.1% at the end of 2024. Interest rates are expected to slightly but steadily rise. The three-month Euribor is estimated to rise progressively from around -0.58% in December 2021 to reach -0.14% at the end of 2024.
- The "Down Scenario" outlines a recessionary context for the Italian economy after the 5.8% rebound estimated for 2021. A new period of economic contraction is expected from 2022, with GDP estimated to decline by 0.4% in 2002 and by 1.3% in 2023. Consequently, the unemployment rate is expected to increase gradually, reaching an average of 11.2% in 2022, 13.9% in 2023 and 15% in 2024. Interest rates are expected to slightly and steadily rise. The three-month Euribor is estimated to rise progressively from around -0.58% in December 2021 to reach 0.03% at the end of 2024. In this context, the spread is estimated to worsen, reaching an average of 315 basis points over the course of 2023. A new economic recovery is only expected from 2024 onwards.
- The "Up Scenario" outlines a context in which the contraction of Italian GDP in 2020 is followed by four years of strong economic expansion, by 6.2% in 2021, 6.4% in 2022, 5.5% in 2023, and 2.0% in 2024. The unemployment rate, after the peak of 10% reached in the second half of 2020, is expected to gradually decline, reaching 5.4% at the end of 2024. Interest rates are expected to be constant over the time horizon.

<u>Changes due to COVID-19</u>
As reported in the previous paragraph "Impacts deriving from the COVID-19 pandemic" in section 1, given the amount and type of loans granted by the Bank (mainly Lombard loans to private customers,

guaranteed by pledges on securities), the impacts on credit risk deriving from the pandemic are limited overall for Banca Profilo. The credit risk assessment models did not require any particular changes, except for the updating of the macro-economic scenarios underlying the definition of the PDs used in the collective devaluation to take into account the forward looking information, and the assessment of guarantees in the definition of credit risk concerning the disbursement of loans to companies guaranteed by the MCC Guarantee Fund or by SACE, however, limited to a small number of interested counterparties. With reference to the guarantees held, mainly represented by securities, considering that the volatile trend of the financial markets could have a negative impact on the value of the guarantees, the frequency of checks on the adequacy of credit exposures was stepped up. As far as the moratoria are concerned, it should be noted that those requests were in compliance with Italian Legislative Decree no. 18 of 17 March 2020, and that as of 31 December 2021, there were moratoria in place for Banca Profilo limited to € 3.0 million. During the year, moratoria were activated on a number of entirely residual positions, equal to a total of € 0.2 million of affected performing loans, and € 3.0 million of affected impaired loans, for which an accounting and prudential treatment was carried out in accordance with the provisions of the EBA Guidelines; in consideration of the contained case, no appreciable adjustments were necessary in the process of assessing the significant increase in credit risk.

2.4. Credit risk mitigation policies

To contain the counterparty risk and in compliance with the provisions of the so-called EMIR Regulations, Banca Profilo has entered into collateralisation agreements with all the financial intermediaries with which it operates in the market. These agreements provide for the daily quantification of the reciprocal exposure between two counterparties in terms of the mark-to-market of the derivatives in position and the simultaneous payment of collateral (cash) to secure the exposure, if it exceeds a contractually agreed amount.

The loans granted at Group level, on the other hand, are generally covered by collateral and personal guarantees. The types of guarantees involved are:

- pledges on securities deposited with the Bank by customers, managed or administered;
- mortgages on property, against a small proportion of loans granted (mostly to employees);
- MCC Guarantee Fund or SACE on loans granted to companies according to the so-called Liquidity Decree;
- sureties;
- other guarantees (assignment of credit, etc.).

3. Non-performing credit exposures

At 31 December 2021, with reference to traditional financing activities and trade receivables, at Banca Profilo non-performing loans amounted to a gross amount of € 11.5 million, written down by approximately 50%. At 31 December of the previous year, the gross amount of impaired loans was € 5.5 million. During the year, a limited number of positions for a gross total of € 6.0 million were classified to impaired loans, in particular to UTPs, while non-performing positions relating to BPdG were deconsolidated for € 0.3 million.

3.1. Management strategies and policies

The Group, in compliance with current supervisory regulations, ensures the correct classification of non-performing loans.
Non-performing loans are subject to an analytical valuation process regardless of the amounts involved. The quantification of impairment takes account of existing guarantees.

Loans past due and/or overdrawn by more than 90 days on an ongoing basis

The total exposure shall be recognised as past due and/or overdrawn if, at the reporting date, the higher of the following two values is equal to or above the 5% threshold:

- average of the past due and/or overdrawn portion on the entire exposure recorded on a daily basis and in the last quarter of the previous year;
- past due and/or overdrawn portion of the entire exposure at the reporting date.

Past due/overdrawn positions are broken down internally on the basis of:

- days of continuous past due (more than 90 days);
- presence of collateral;

- percentage coverage of the position by the guarantees.

Based on these indicators, a minimum write-down percentage is applied.
The write-down percentages and the assumptions that led to their determination are decided by the Credit Committee, on the proposal of the Credit Function and verified by the Risk Management Function.

Unlikely to pay
Classification in this category is linked to the Group's opinion that, without recourse to actions such as enforcement of guarantees, the debtor is unlikely to meet its credit obligations in full (principal and/or interest). This assessment is independent of whether or not there are any overdue and unpaid amounts.
The classification as Unlikely to pay takes place by resolution of the Credit Committee, on the proposal of the Credit Function.
The assessment process takes into account the guarantees received and the percentage coverage of the position by these guarantees, applying minimum write-down percentages.
The percentages calculated in this way and the assumptions that led to their determination are decided by the Credit Committee, on the proposal of the Credit Function and verified by the Risk Management Function.

Bad loans
Exposures to parties in a state of insolvency, even if not judicially ascertained or in substantially comparable situations.
The Board of Directors is responsible for deciding on the bad loan status and determining the write-down to be applied.
The Credit Committee, having obtained the opinion of the Risk Management Function, prepares the report to the Board of Directors with a proposal for the attribution of the state of insolvency, the reasons and the write-down percentage to be applied, applying minimum values.

The assessment process for non-performing loans must take place at least once a year when the annual financial statements are drawn up and whenever anomalies are found on individual non-performing positions.

4. Financial assets subject to commercial re-negotiations and exposures subject to concessions

Please refer to what is stated in the paragraph "Changes due to COVID-19" in the previous section 2.3.

QUANTITATIVE INFORMATION

A. Credit quality

A.1 Non-performing and performing credit exposures: amounts, value adjustments, changes and economic distribution

A.1.1 Prudential consolidation – Breakdown of financial assets by past due ranges (book values)

Portfolios/risk stages		Stage 1			Stage 2			Stage 3			Impaired, acquired or originated		
		1 to 30 days	Over 30 to 90 days	Over 90 days	1 to 30 days	Over 30 to 90 days	Over 90 days	1 to 30 days	Over 30 to 90 days	Over 90 days	1 to 30 days	Over 30 to 90 days	Over 90 days
1. Financial assets measured at amortised cost		2	17	610	-	1	139	-	0	5,683	-	-	-
2. Financial assets measured at fair value through other comprehensive income		-	-	-	-	-	-	-	-	-	-	-	-
3. Financial assets held for sale		-	-	-	-	-	-	-	-	-	-	-	-
Total	**31/12/2021**	**2**	**17**	**610**	**-**	**1**	**139**	**-**	**0**	**5,683**	**-**	**-**	**-**
Total	**31/12/2020**	**201**	**246**	**0**	**-**	**18**	**395**	**-**	**0**	**931**	**-**	**-**	**-**

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

Types/risk stages	Overall value adjustments											
	Assets included in stage 1						Assets included in stage 2					
	On-demand receivables to banks and Central Banks	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual write-downs	of which: collective write-downs	On-demand receivables to banks and Central Banks	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual write-downs	of which: collective write-downs
Overall adjustments, opening balance	**32**	**570**	**100**	**244**	**-**	**956**	**-**	**27**	**-**	**-**	**-**	**27**
Increases from financial assets acquired or originated	-	-	-	-	-	-	-	-	-	-	-	-
Derecognitions other than write-offs	-	-	-	-	-	-	-	-	-	-	-	-
Net value adjustments/reversals for credit risk (+/-)	(20)	(173)	12	-	-	(181)	-	15	-	-	-	15
Contractual changes without derecognitions	-	-	-	-	-	-	-	-	-	-	-	-
Changes in estimation method	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not directly recorded in the income statement	-	-	-	-	-	-	-	-	-	-	-	-
Other changes	-	-	-	(244)	-	(244)	-	23	-	-	-	23
Overall adjustments, closing balance	**12**	**397**	**122**	**-**	**-**	**531**	**-**	**65**	**-**	**-**	**-**	**65**
Recoveries from collections of financial assets subject to write-off	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs directly recorded in the income statement	-	-	-	-	-	-	-	-	-	-	-	-

Types/risk stages						Overall value adjustments
						Assets included in stage 3
	On-demand receivables to banks and Central Banks	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual write-downs	of which: collective write-downs
Overall adjustments, opening balance	**-**	**4,545**	**-**	**316**	**4,861**	**-**
Increases from financial assets acquired or originated	-	-	-	-	-	-
Derecognitions other than write-offs	-	-	-	-	-	-
Net value adjustments/reversals for credit risk (+/-)	-	1,298	-	-	1,298	-
Contractual changes without derecognitions	-	-	-	-	-	-
Changes in estimation method	-	-	-	-	-	-
Write-offs not directly recorded in the income statement	-	-	-	-	-	-
Other changes	-	-	-	(316)	(316)	-
Overall adjustments, closing balance	**-**	**5,843**	**-**	**-**	**5,843**	**-**
Recoveries from collections of financial assets subject to write-off	-	-	-	-	-	-
Write-offs directly recorded in the income statement	-	-	-	-	-	-

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

Types/risk stages	Overall value adjustments					Total provisions for commitments to disburse funds and financial guarantees issued				Total
	Impaired financial assets, acquired or originated									
	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual write-downs	of which: collective write-downs	Stage 1	Stage 2	Stage 3	Commitments to disburse financial funds and guarantees issued impaired acquired/or originated	
Overall adjustments, opening balance	**-**	**-**	**-**	**-**	**-**	**50**	**7**	**-**	**-**	**5,901**
Increases from financial assets acquired or originated	X	X	X	X	X	-	-	-	-	**-**
Derecognitions other than write-offs	-	-	-	-	-	-	-	-	-	**-**
Net value adjustments/reversals for credit risk (+/-)	-	-	-	-	-	(30)	(7)	-	-	**1,095**
Contractual changes without derecognitions	-	-	-	-	-	-	-	-	-	**-**
Changes in estimation method	-	-	-	-	-	-	-	-	-	**-**
Write-offs not directly recorded in the income statement	-	-	-	-	-	-	-	-	-	**-**
Other changes	-	-	-	-	-	-	-	-	-	**(537)**
Overall adjustments, closing balance	**-**	**-**	**-**	**-**	**-**	**20**	**-**	**-**	**-**	**6,459**
Recoveries from collections of financial assets subject to write-off	-	-	-	-	-	-	-	-	-	**-**
Write-offs directly recorded in the income statement	-	-	-	-	-	-	-	-	-	**-**

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

Portfolios/risk stages	Gross exposure/nominal value					
	Transfers between stage 1 and stage 2		Transfers between stage 2 and stage 3		Transfers between stage 1 and 3	
	From stage 1 to stage 2	From stage 2 to stage 1	From stage 2 to stage 3	From stage 3 to stage 2	From stage 1 to stage 3	From stage 3 to stage 1
1. Financial assets measured at amortised cost	3,259	568	-	-	6,034	2
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-
3. Financial assets held for sale	-	-	-	-	-	-
4. Commitments to disburse funds and financial guarantees issued	-	840	-	-	-	-
Total 31/12/2021	**3,259**	**1,408**	**-**	**-**	**6,034**	**2**
Total 31/12/2020	**169**	**910**	**-**	**-**	**-**	**-**

The amount of € 6.0 million relating to transfers from stage 1 to stage 3 includes credit positions which in the previous quarters were shown in the column for transfers between stage 1 and stage 2.

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

Portfolios/risk stages		Gross values					
		Transfers between stage 1 and stage 2		Transfers between stage 2 and 3		Transfers between stage 1 and 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 valued at amortised cost		**-**	**-**	**-**	**-**	**3,013**	**-**
A.1 subject to concession compliant with GL		-	-	-	-	3,013	-
A.2 Subject to moratorium measures in place no longer compliant with GL and not assessed as subject to concessions		-	-	-	-	-	-
A.3 subject to other forbearance measures		-	-	-	-	-	-
A.4 new loans		-	-	-	-	-	-
B. Loans measured at fair value through other comprehensive income		**-**	**-**	**-**	**-**	**-**	**-**
B.1 subject to concession compliant with GL		-	-	-	-	-	-
B.2 Subject to moratorium measures in place no longer compliant with GL and not assessed as subject to concessions		-	-	-	-	-	-
B.3 subject to other forbearance measures		-	-	-	-	-	-
B.4 new loans		-	-	-	-	-	-
Total	**31/12/2021**	**-**	**-**	**-**	**-**	**3,013**	**-**
Total	**31/12/2020**	**-**	**699**	**-**	**-**	**-**	**-**

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

Types of exposure/amounts	Gross exposure					Overall value adjustments and total provisions					Net Exposure	Total 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.1 On demand	**24,544**	**24,544**	**-**	**-**	**-**	**12**	**12**	**-**	**-**	**-**	**24,532**	**-**
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	24,544	24,544	-	X	-	12	12	-	X	-	24,532	-
A.2 Other	**149,251**	**149,251**	**-**	**-**	**-**	**74**	**74**	**-**	**-**	**-**	**149,177**	**-**
a) Bad loans	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
b) Unlikely to pay	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
c) Non-performing past due exposures	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
d) Performing past due exposures	-	-	-	X	-	-	-	-	X	-	-	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
e) Other performing exposures	149,251	149,251	-	X	-	74	74	-	X	-	149,177	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
Total (A)	**173,795**	**173,795**	**-**	**-**	**-**	**86**	**86**	**-**	**-**	**-**	**173,709**	**-**
B. Off-balance sheet credit exposures												
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	49,776	49,776	-	X	-	-	-	-	X	-	49,776	-
Total (B)	**49,776**	**49,776**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**49,776**	**-**
Total (A+B)	**223,571**	**223,571**	**-**	**-**	**-**	**86**	**86**	**-**	**-**	**-**	**223,485**	**-**

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

Types of exposure/amounts	Gross exposure					Overall value adjustments and total provisions					Net Exposure	Total 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	2,717	X	-	2,717	-	2,717	X	-	2,717	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
b) Unlikely to pay	7,133	X	-	7,133	-	1,664	X	-	1,664	-	5,469	-
- of which: forborne exposures	3,013	X	-	3,013	-	405	X	-	405	-	2,608	-
c) Non-performing past due exposures	1,676	X	-	1,676	-	1,462	X	-	1,462	-	214	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
d) Performing past due exposures	812	631	181	X	-	43	1	42	X	-	769	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
e) Other performing exposures	1,210,810	1,206,538	4,272	X	-	497	474	23	X	-	1,210,313	-
- of which: forborne exposures	223	223	-	X	-	0	0	-	X	-	223	-
Total (A)	**1,223,148**	**1,207,169**	**4,453**	**11,526**	**-**	**6,383**	**475**	**65**	**5,843**	**-**	**1,216,765**	**-**
B. Off-balance sheet credit exposures												
a) Non-performing	2	X	-	2	-	-	X	-	-	-	2	-
b) Performing	741,587	741,417	170	X	-	20	20	-	X	-	741,567	-
Total (B)	**741,589**	**741,417**	**170**	**2**	**-**	**20**	**20**	**-**	**-**	**-**	**741,569**	**-**
Total (A+B)	**1,964,737**	**1,948,585**	**4,624**	**11,528**	**-**	**6,403**	**495**	**65**	**5,843**	**-**	**1,958,334**	**-**

"Off-balance sheet" exposures to customers include all financial transactions other than on-balance sheet ones (guarantees issued, commitments, derivatives, etc.) which entail the assumption of credit risk, regardless of the purpose of said transactions (trading, hedging, etc.).

A.1.5a On-balance sheet credit exposures to customers subject to COVID-19 support measures: gross and net values

Types of exposure/amounts	Gross exposure					Overall value adjustments						
		Stage 1	Stage 2	Stage 3	Impaired, acquired, or originated		Stage 1	Stage 2	Stage 3	Impaired, acquired, or originated	Net exposure	Total partial write-offs*
A. Non-performing loans:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Subject to concession compliant with GL	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratorium measures in place no longer compliant with GL and not assessed as subject to concessions	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New loans	-	-	-	-	-	-	-	-	-	-	-	-
B. Unlikely to pay loans:	**3,013**	**-**	**-**	**3,013**	**-**	**405**	**-**	**-**	**405**	**-**	**2,608**	**-**
a) Subject to concession compliant with GL	3,013	-	-	3,013	-	405	-	-	405	-	2,608	-
b) Subject to moratorium measures in place no longer compliant with GL and not assessed as subject to concessions	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New loans	-	-	-	-	-	-	-	-	-	-	-	-
C. Impaired overdue loans:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Subject to concession compliant with GL	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratorium measures in place no longer compliant with GL and not assessed as subject to concessions	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New loans	-	-	-	-	-	-	-	-	-	-	-	-
D. Other unimpaired overdue loans:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Subject to concession compliant with GL	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratorium measures in place no longer compliant with GL and not assessed as subject to concessions	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New loans	-	-	-	-	-	-	-	-	-	-	-	-
E. Other unimpaired loans:	**42,170**	**41,167**	**1,003**	**-**	**-**	**39**	**35**	**4**	**-**	**-**	**42,131**	**-**
a) Subject to concession compliant with GL	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratorium measures in place no longer compliant with GL and not assessed as subject to concessions	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New loans	42,170	41,167	1,003	-	-	39	35	4	-	-	42,131	-
Total (A + B + C + D + E)	**45,183**	**41,167**	**1,003**	**3,013**	**-**	**444**	**35**	**4**	**405**	**-**	**44,739**	**-**

A.1.7 Prudential consolidation - On-balance sheet credit exposure to customers: changes in gross non-performing exposures

Types/Categories	Bad loans	Unlikely to pay	Non-performing past due exposures
A. Gross exposure, opening balance	**3,033**	**1,149**	**1,611**
- of which: exposures transferred but not de-recognised	-	-	-
B. Increases	**-**	**5,984**	**192**
B.1 transfers from performing exposures	-	5,973	102
B.2 transfers from impaired financial assets, acquired or originated	-	-	-
B.3 transfers from other categories of non-performing exposures	-	-	-
B.4 contractual modifications without derecognitions	-	-	-
B.5 other increases	-	12	90
C. Decreases	**316**	**-**	**127**
C.1 transfers to performing exposures	-	-	8
C.2 write-offs	-	-	-
C.3 collections	-	-	111
C.4 amount realised upon disposal of positions	-	-	-
C.5 losses on disposal	-	-	-
C.6 transfers to other categories of non-performing exposures	-	-	-
C.7 contractual modifications without derecognitions	-	-	-
C.8 other decreases	316	-	8
D. Gross exposure, closing balance	**2,717**	**7,133**	**1,676**
- of which: exposures transferred but not de-recognised	-	-	-

A.1.7bis Prudential consolidation - On-balance-sheet credit exposures to customers: changes in gross exposures subject to concessions broken down by credit quality

Reason/Quality	Exposures subject to concessions: impaired	Exposures subject to concessions: not impaired
A. Gross exposure, opening balance	**-**	**-**
- of which: exposures transferred but not de-recognised	-	-
B. Increases	**3,013**	**223**
B.1 inputs from unimpaired exposures not subject to concessions	3,013	223
B.2 inputs from unimpaired exposures subject to concessions	-	X
B.3 inputs from impaired exposures subject to concessions	X	-
B.4 inputs from impaired exposures not subject to concessions	-	-
B.5 other increases	-	-
C. Decreases	**-**	**-**
C.1 outflows to unimpaired exposures not subject to concessions	X	-
C.2 outflows to unimpaired exposures subject to concessions	-	X
C.3 outflows to impaired exposures subject to concessions	X	-
C.4 write-offs	-	-
C.5 collections	-	-
C.6 amount realised upon disposal of positions	-	-
C.7 losses on disposal	-	-
C.8 other decreases	-	-
D. Gross exposure, closing balance	**3,013**	**223**
- of which: exposures transferred but not de-recognised	-	-

A.1.9 Prudential consolidation - On-balance sheet non-performing credit exposures to customers: changes in overall value adjustments

Types/Categories	Bad loans		Unlikely to pay		Non-performing past due exposures	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. Overall adjustments, opening balance	**3,033**	**-**	**387**	**-**	**1,442**	**-**
- of which: exposures transferred but not de-recognised	-	-	-	-	-	-
B. Increases	**-**	**-**	**1,277**	**405**	**52**	**-**
B.1 value adjustments of impaired financial assets, acquired or originated	-	X	-	X	-	X
B.2 other value adjustments	-	-	-	-	-	-
B.3 losses on disposal	-	-	-	-	-	-
B.4 transfers from other categories of non-performing exposures	-	-	-	-	-	-
B.5 contractual modifications without derecognitions	-	-	-	-	-	-
B.6 other increases	-	-	1,277	405	52	-
C. Decreases	**316**	**-**	**-**	**-**	**31**	**-**
C.1 reversals from valuation	-	-	-	-	-	-
C.2 reversals from collection	-	-	-	-	24	-
C.3 profit from disposal	-	-	-	-	-	-
C.4 write-offs	-	-	-	-	-	-
C.5 transfers to other categories of non-performing exposures	-	-	-	-	-	-
C.6 contractual modifications without derecognitions	-	-	-	-	-	-
C.7 other decreases	316	-	-	-	7	-
D. Overall adjustments, closing balance	**2,717**	**-**	**1,664**	**405**	**1,462**	**-**
- of which: exposures transferred but not de-recognised	-	-	-	-	-	-

A.2 Classification of exposures by external and internal ratings

The Group does not classify exposures according to external or internal ratings.

A.3 Breakdown of secured credit exposures by type of collateral

A.3.1 Prudential consolidation - Secured on-balance sheet and off-balance sheet credit exposures to banks

	Gross exposure	Net exposure	Collateral (1)				Personal guarantees (2)									Total
							Credit derivatives					Signature loans				
								Other derivatives								
			Property - mortgages	Property - Financing for lease	Securities	Other collateral	CLN	Central Counterparties	Banks	Other financial companies	Other entities	Public administration	Banks	Other financial companies	Other entities	(1) + (2)
1. Secured on-balance sheet credit exposures:	**12,465**	**12,465**	**-**	**-**	**12,265**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**12,265**
1.1 totally secured	3,612	3,612	-	-	3,612	-	-	-	-	-	-	-	-	-	-	3,612
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 partially secured	8,852	8,852	-	-	8,653	-	-	-	-	-	-	-	-	-	-	8,653
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Secured off-balance sheet credit exposures:	**21,322**	**21,322**	**-**	**-**	**21,322**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**21,322**
2.1 totally secured	21,322	21,322	-	-	21,322	-	-	-	-	-	-	-	-	-	-	21,322
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 partially secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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

	Gross exposure	Net exposure	Collateral (1)				Personal guarantees (2)									Total
							Credit derivatives					Signature loans				
								Other derivatives								
			Property - mortgages	Property - Financing for lease	Securities	Other collateral	CLN	Central Counterparties	Banks	Other financial companies	Other entities	Public administration	Banks	Other financial companies	Other entities	(1) + (2)
1. Secured on-balance sheet credit exposures:	**447,506**	**445,012**	**60,860**	**-**	**261,641**	**83,192**	**-**	**-**	**-**	**-**	**-**	**32,628**	**-**	**706**	**2,511**	**441,539**
1.1 totally secured	342,763	340,443	60,860	-	190,375	81,475	-	-	-	-	-	7,357	-	104	272	340,443
- of which non-performing	7,216	5,168	240	-	2,013	307	-	-	-	-	-	2,504	-	104	-	5,168
1.2 partially secured	104,743	104,569	-	-	71,266	1,717	-	-	-	-	-	25,271	-	602	2,239	101,095
- of which non-performing	512	362	-	-	-	-	-	-	-	-	-	-	-	362	-	362
2. Secured off-balance sheet credit exposures:	**264,006**	**263,987**	**4,523**	**-**	**200,389**	**58,465**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**181**	**263,557**
2.1 totally secured	260,721	260,702	4,523	-	197,843	58,155	-	-	-	-	-	-	-	-	181	260,702
- of which non-performing	1	1	-	-	1	-	-	-	-	-	-	-	-	-	-	1
2.2 partially secured	3,285	3,285	-	-	2,545	310	-	-	-	-	-	-	-	-	-	2,855
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

B. Breakdown and concentration of credit exposure

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

Exposures/Counterparties	Public administration		Financial companies		Financial 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. On-balance sheet credit exposures										
A.1 Bad loans	-	-	-	-	-	-	-	-	-	2,717
- of which: forborne exposures	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	1,866	848	-	-	3,362	432	240	384
- of which: forborne exposures	-	-	-	-	-	-	2,608	405	-	-
A.3 Non-performing past due exposures	-	-	-	-	-	-	151	1,460	63	2
- of which: forborne exposures	-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures	614,391	89	268,425	104	62	-	137,282	242	190,991	98
- of which: forborne exposures	-	-	-	-	-	-	-	-	223	-
Total (A)	**614,391**	**89**	**270,291**	**952**	**62**	**-**	**140,795**	**2,134**	**191,295**	**3,200**
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures	-	-	2	-	-	-	-	-	-	-
B.2 Performing exposures	2,068	-	471,860	0	-	-	178,058	20	88,925	-
Total (B)	**2,068**	**-**	**471,862**	**0**	**-**	**-**	**178,058**	**20**	**88,925**	**-**
Total (A+B) 31/12/2021	**616,459**	**89**	**742,153**	**952**	**62**	**-**	**318,853**	**2,154**	**280,219**	**3,201**
Total (A+B) 31/12/2020	**546,386**	**97**	**307,897**	**185**	**150**	**-**	**594,920**	**2,268**	**264,741**	**3,183**

B.2 Prudential consolidation - Breakdown of on-balance sheet and off-balance-sheet credit exposures to customers by geographic area

p.1.

Exposures/Geographic areas		Italy		Other European countries		America
		Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure
A. On-balance sheet credit exposures						
A.1 Bad loans		-	2,717	-	-	-
A.2 Unlikely to pay		3,965	966	1,504	698	-
A.3 Non-performing past due exposures		214	1,461	-	1	-
A.4 Performing exposures		1,031,925	477	160,532	54	11,365
Total (A)		**1,036,104**	**5,621**	**162,035**	**753**	**11,365**
B. Off-balance sheet credit exposures						
B.1 Non-performing exposures		-	-	-	-	-
B.2 Performing exposures		307,439	20	433,470	-	1
Total (B)		**307,440**	**20**	**433,470**	**-**	**1**
Total (A+B)	**31/12/2021**	**1,343,544**	**5,641**	**595,507**	**753**	**11,366**
Total (A+B)	**31/12/2020**	**995,426**	**5,297**	**676,326**	**308**	**31,562**

B.2 Prudential consolidation - Breakdown of on-balance sheet and off-balance-sheet credit exposures to customers by geographic area

p.2.

Exposures/Geographic areas		America	Asia		Rest of the world	
		Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. On-balance sheet credit exposures						
A.1 Bad loans		-	-	-	-	-
A.2 Unlikely to pay		-	-	-	-	-
A.3 Non-performing past due exposures		-	-	-	-	-
A.4 Performing exposures		2	4,377	-	2,891	-
Total (A)		**2**	**4,377**	-	**2,891**	**-**
B. Off-balance sheet credit exposures						
B.1 Non-performing exposures		-	-	-	-	-
B.2 Performing exposures		-	-	-	-	-
Total (B)		-	**-**	**-**	**-**	**-**
Total (A+B)	**31/12/2021**	**2**	**4,377**	**-**	**2,891**	**-**
Total (A+B)	**31/12/2020**	**9**	**1,372**	**-**	**9,022**	**120**

B.3 Prudential consolidation - Breakdown of on-balance sheet and off-balance-sheet credit exposures to banks by geographic area

p.1

Exposures/Geographic areas		Italy		Other European countries		America
		Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure
A. On-balance sheet credit exposures						
A.1 Bad loans		-	-	-	-	-
A.2 Unlikely to pay		-	-	-	-	-
A.3 Non-performing past due exposures		-	-	-	-	-
A.4 Performing exposures		109,659	28	64,034	58	-
Total (A)		**109,659**	**28**	**64,034**	**58**	**-**
B. Off-balance sheet credit exposures						
B.1 Non-performing exposures		-	-	-	-	-
B.2 Performing exposures		22,278	-	22,128	-	-
Total (B)		**22,278**	**-**	**22,128**	**-**	**-**
Total (A+B)	**31/12/2021**	**131,937**	**28**	**86,161**	**58**	**-**
Total (A+B)	**31/12/2020**	**151,651**	**24**	**383,727**	**115**	**27,438**

B.3 Prudential consolidation - Breakdown of on-balance sheet and off-balance-sheet credit exposures to banks by geographic area

p.2

Exposures/Geographic areas		America	Asia		Rest of the world	
		Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. On-balance sheet credit exposures						
A.1 Bad loans		-	-	-	-	-
A.2 Unlikely to pay		-	-	-	-	-
A.3 Non-performing past due exposures		-	-	-	-	-
A.4 Performing exposures		-	-	-	15	-
Total (A)		**-**	**-**	**-**	**15**	**-**
B. Off-balance sheet credit exposures						
B.1 Non-performing exposures		-	-	-	-	-
B.2 Performing exposures		-	-	-	-	-
Total (B)		**-**	**-**	**-**	**-**	**-**
Total (A+B)	**31/12/2021**	**-**	**-**	**-**	**15**	**-**
Total (A+B)	**31/12/2020**	**18**	**-**	**-**	**69**	**-**

B.4 Large exposures

	2021	2020
a) Amount - book value	2,154,763	1,176,824
b) Amount - weighted value	92,007	217,105
c) Number	9	17

Large exposures are any of the assets and off-balance sheet items referred to in Part Three, Title II Chapter 2 of Regulation (EU) no. 575/2013 (CRR) - without the application of risk weights or risk categories - to a customer or group of connected customers when its value is 10% or more of eligible capital.

C. Securitisation transactions

Banca Profilo and its subsidiaries have not carried out any securitisation transactions.

D. Transfers

Financial assets sold and not fully derecognised

QUANTITATIVE INFORMATION

Financial assets sold and not derecognised mainly refer to repurchase agreements carried out during the year on debt securities. There were no transactions for the sale of non-performing loans by exchanging fund units.

QUANTITATIVE INFORMATION

D.1 Prudential consolidation - Financial assets sold and fully recognised and associated financial liabilities: book values

	Financial assets sold fully recognised				Associated financial liabilities		
	Book value	of which: subject of securitisation operations	of which: subject of contracts of sale with repurchase obligation	of which non-performing	Book value	of which: subject of securitisation operations	of which: subject of contracts of sale with repurchase obligation
A. Financial assets held for trading	**233,547**	**-**	**233,547**	**X**	**230,753**	**-**	**230,753**
1. Debt securities	156,454	-	156,454	X	157,094	-	157,094
2. Equity securities	77,093	-	77,093	X	73,659	-	73,659
3. Loans	-	-	-	X	-	-	-
4. Derivatives	-	-	-	X	-	-	-
B. Other financial assets mandatorily measured at fair value	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Equity securities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
C. Financial assets designated at fair value	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-
D. Financial assets measured at fair value through other comprehensive income	**34,276**	**-**	**34,276**	**-**	**34,204**	**-**	**34,204**
1. Debt securities	34,276	-	34,276	-	34,204	-	34,204
2. Equity securities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
E. Financial assets measured at amortised cost	**256,632**	**-**	**256,632**	**-**	**274,754**	**-**	**274,754**
1. Debt securities	256,632	-	256,632	-	274,754	-	274,754
2. Loans	-	-	-	-	-	-	-
Total 31/12/2021	**524,455**	**-**	**524,455**	**-**	**539,711**	**-**	**539,711**
Total 31/12/2020	**320,081**	**-**	**320,081**	**-**	**317,229**	**-**	**317,229**

E. Prudential consolidation - Credit risk measurement models

Banca Profilo and its subsidiaries do not use internal models to measure credit risk.

1.2 - PRUDENTIAL CONSOLIDATION - MARKET RISK

1.2.1 Interest rate and price risk – Regulatory trading book

INTEREST RATE RISK QUALITATIVE INFORMATION

A. General information

Within the Group, trading and own account investment activity on financial instruments is exclusively concentrated in Banca Profilo.

Depending on the purpose of the investment and its time period, the financial instruments involved in the activity have been included in different portfolios with different accounting treatment: Hold to Collect (HTC), Hold to Collect & Sell (HTC&S), OCI-Fair Value (OCIFV), Hold to Sell (HTS).

With particular reference to interest rate risk, the activities that can generate the same within Banca Profilo are:

- interest rate trading, conducted through the assumption of short-term positions on government securities and listed derivatives (interest rate or government bond futures);
- trading or stable investment activities involving bonds and the related derivatives portfolio – listed or over the counter – with which the Bank manages the interest rate risk of the securities portfolio.

The most significant exposures are on the Euro curve.

Impacts resulting from the COVID-19 pandemic

As far as market risks are concerned, the pandemic situation led to an immediate and unprecedented contraction of global GDP in the first wave, with negative medium-term prospects, particularly impacting certain industrial sectors (transport, tourism, etc.). The economic recovery observed during 2021 remains highly dependent on the development of the infection situation. This uncertainty could have a negative impact on all stock markets worldwide, especially on specific industrial sectors most affected by the lockdown.

The intervention programmes that national governments have put in place to support the production system and families, in terms of size and duration, will determine an increase in public debts. Despite the massive intervention of the ECB, this situation of could lead to an increase in the spread on Italian government securities, with consequent negative impacts on the income statement of the bank or on its equity ratios.

Over the last few years, the Bank has always favoured strategies with very low directional risks, characterised by arbitrage, basic trade, and wide diversification on the trading portfolio, both in the equity and bond sectors. Such strategies should minimise the impact of any of the negative market scenarios described above.

B. Processes for the management and methods of measurement of interest rate risk and price risk

For the performance of activities involving the assumption of market risks, Banca Profilo has adopted specific Regulations, in which the persons in charge of operational management are formalised for the various types of risk as well as the system of proxies and operating limits within which they are required to operate: this document is approved by the Board of Directors and periodically reviewed.

The Market Risk Regulations are based on the following guidelines:

- indicate which accounting portfolios are subject to operational delegation to the Finance Area and which are reserved for decisions by the Board of Directors;
- establish a system of operating limits consistent with the Group's RAF objectives and the Bank's capital endowment, organised for each portfolio/desk on two levels: a) general Value at Risk (VaR) and stop loss limits, valid for all types of market risk assumed by the various portfolios; b) specific limits for individual relevant market risk factors, established in terms of Greeks and sensitivity;
- provide for daily monitoring of all relevant risk indicators, profit & loss trends and compliance with operating limits, carried out by a control function (Risk Management) functionally and hierarchically independent from operational functions.

Trends in market and liquidity risks and the main operating positions are analysed by the Risk Committee, which normally meets fortnightly. The Board of Directors is regularly informed about the level of risks assumed by the various business units and compliance with the operating limits it has approved.

Specifically, with regard to interest rate risk, monitoring takes place in terms of interest rate sensitivity, i.e. the sensitivity of the portfolio's P&L to movements of 1 basis point in the interest curve. There is an overall sensitivity limit and specific limits for the individual reference curves and for the individual time segments of each curve.

Interest rate risk, together with other risk factors, is included in the calculation of the VaR of trading books. The VaR is only used for internal risk measurement purposes and not for the calculation of regulatory capital requirements for market risk, for which the standardised approach is adopted.

INTEREST RATE RISK QUANTITATIVE INFORMATION

In 2021, the average exposure to interest rate risk of the securities and proprietary derivatives (trading and banking book) portfolios, calculated in terms of interest rate sensitivity for a parallel shift of 1 basis point in the interest rate curve, was approximately € 79,600 (compared to € 100,500 in 2020) for a year-end point value of € 50,459 (compared to € 80,149 at the end of 2020).

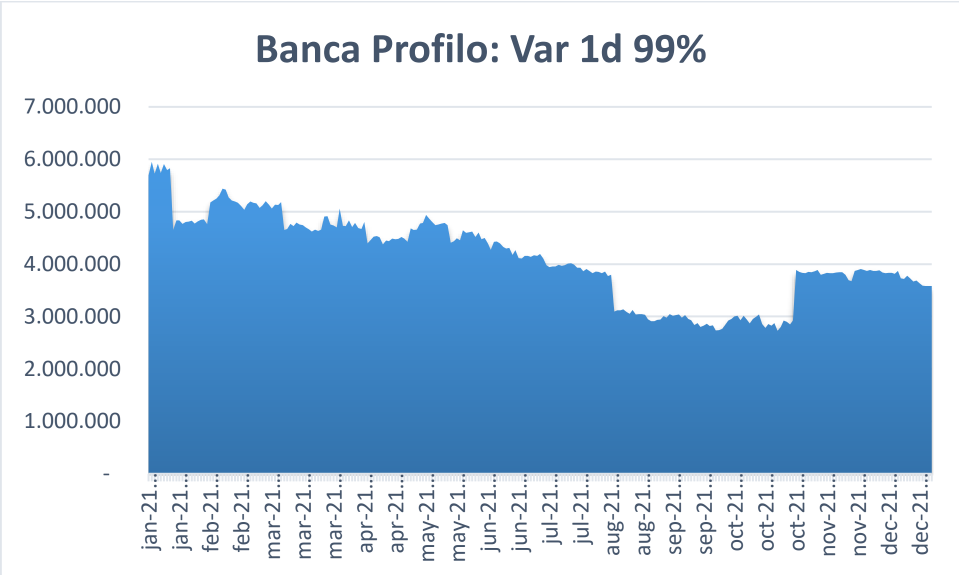
The following table shows, for each reference curve, the main exposures to interest rate risk outstanding as at 31 December 2021:

Proprietary portfolios: interest rate risk

IR Sensitivity (+1 bp) as at 31.12.2021 (figures in €) Currency	**0-1 y**	**1-3 y**	**3-5 y**	**5-7 y**	**7-10+ y**	**Total**
EUR	(12,182)	(53,033)	(28,571)	(19,176)	54,847	(58,115)
USD	(1,482)	(1,165)	3,927	2,987	4,116	8,383
Other	(172)	(553)	(2)	0	0	(727)
Total	**(13,836)**	**(54,751)**	**(24,646)**	**(16,189)**	**58,963**	**(50,459)**

The VaR of Banca Profilo's portfolio over the course of 2021 is also taken into account at this stage, although such indicator refers to all the market risks of the proprietary portfolios and not just interest rate risk: therefore, all other market risk factors (issuer, price and exchange rate) are also included in the VaR calculation.

The graph below shows the trend in the VaR (1 day, 99%) during 2021, relating to the total market risks managed by the Finance Area (HTC, HTC&S, HTS, and FVOCI portfolios): the average value for the year was € 4.1 million (compared to € 9.2 million in 2020), with a peak of € 6 million reached in early January and a year-end point figure of € 3.6 million (compared to € 5.6 million at the end of 2020).



The total daily VaR of the proprietary portfolios progressively decreased during the first 10 months of the year, due to the decay factor used to calculate the historical VaR which gradually made the historical observations relating to the outbreak of the pandemic in the 2020. At the end of October, in correspondence with a new "daily tail observation" relating to the trend of the spread on Italian government bonds, the VaR partially recovered, and then remained almost constant until the end of the year.

The market VaR of Banca Profilo, as at 31 December 2021, is approximately 46% due to the HTC portfolio and 41% due to the HTC&S portfolio: the two portfolios, taken as a whole, are made up of 90% government bonds.

The VaR figure for the HTS portfolio alone averaged € 0.4 million in 2021 (against an average figure of € 0.7 million in 2020), with a year-end point figure of € 0.4 million.

1.2.1 bis Issuer Risk - Trading book

QUALITATIVE INFORMATION

A. General information

The Finance Area of Banca Profilo manages a portfolio of bonds and credit default swaps on national and international issuers, exposing to the risk of default of the same issuers and/or unfavourable changes in the credit spread associated with them.

At 31 December 2021, the Bank had outstanding credit default swaps for a nominal value of € 408 million (calculating the nominal value of index cds options on the basis of the equivalent delta value), of which € 232 million in purchases and € 176 million in protection sales, for a net purchase position of € 56 million. Credit default swaps are used to hedge the issuer risk of specific positions in securities of the proprietary portfolio or, in the case of index contracts (iTraxx), to generically hedge the portfolio. Protection sale contracts are mainly brokered with similar protection purchase contracts: in particular, there are several pure arbitrage transactions (for a total notional amount of € 288 million), in which the Bank purchased protection on an index and sold protection on the individual components of the same index.

B. Issuer risk management processes and measurement methods

Issuer risk management processes and measurement methods are the same as those used in relation to interest rate risk: please refer to the relevant section for a description of the bodies and offices involved and the system of operating limits.

With regard to specific indicators for issuer risk, monitoring takes place in terms of spread sensitivity, i.e. the sensitivity of the portfolio's P&L to movements of 1 basis point in the credit spread associated with the issuers in position.

In addition to the overall level, the Market Risk Regulations provide for value and spread sensitivity limits per rating class and concentration limits per individual issuer (depending on the rating).

The system of limits is structured in such a way as to favour exposure to issuers with investment grade ratings, which have a lower risk in terms of both the probability of default and the variability of the market spread.

QUANTITATIVE INFORMATION

In 2021, the average overall exposure of Banca Profilo's proprietary portfolios to issuer risk was approximately € 323 thousand in terms of spread sensitivity (compared to € 341 thousand in 2020), calculated for a movement of 1 basis point of the credit spread associated with the issuers in the portfolio (including government issuers).

At 31 December 2021, the total exposure was € 312 thousand (compared with € 300 thousand at 31 December 2020), broken down by issuer type and rating class as shown in the table below:

Proprietary portfolios: issuer risk (Securities and CDS)

Spread Sensitivity (+1 bp) as at 31.12.2021 (figures in €) Type of issuer	AAA/AA-	A+/A-	BBB +/BBB-	Spec. Grade	Total
Governments	19,385	0	(302,323)	0	(282,938)
Corporate	(860)	(7,843)	(6,820)	(13,225)	(28,748)
Total	**18,525**	**(7,843)**	**(309,143)**	**(13,225)**	**(311,686)**

Consistent with the structure of the operating limits, investments mainly concerned investment grade issuers: in terms of spread sensitivity, as at 31 December 2021, 96% of total exposure related to issuers with a rating of BBB- or higher. In particular, 91% of the exposure involved government or supranational securities.

Other information on financial risks

Below is a table providing the book value of the exposures of Banca Profilo and its consolidated companies to sovereign credit risk.

Sovereign risk

Country (€/thousand)	HTC	HTC&S	HTS	Total
Italy	346,632	160,458	81,781	**588,871**
Germany			210	**210**
France			10,262	**10,262**
Spain		3,904		**3,904**
Portugal		1,102		**1,102**
Belgium			95	**95**
EU		371		**371**
USA			- 3,499	- **3,499**
Total	**346,632**	**165,835**	**88,849**	**601,316**

1.2.1 ter Price risk - Trading book

QUALITATIVE INFORMATION

A. General information

Equity risk within the Group is generated solely by the portfolio owned by Banca Profilo and managed by the Finance Area.

In 2021, the equity segment's operations were characterised by trading operations with a short time period or relative value strategies: the latter, involving the assumption of opposite sign positions on shares and derivatives (index or option futures), involve limited directional risks. The most significant directional positions during the year were in the Small-Mid Cap and Spac segments.

The Bank also operates as a market maker of options on the Italian market with regard to approximately twenty underlyings: the strategy involves the use of equities for detailed delta hedging of options; the main risk factor is represented by the vega.

B. Price risk management processes and measurement methods

Price risk management processes and measurement methods are the same as those used in relation to interest rate risk: please refer to the relevant section for a description of the bodies and offices involved and the system of operating limits.

With regard to the specific indicators for equity risk, there are limits on the overall position and concentration limits on individual equity securities: the latter are diversified according to the securities' listing market and their free float.

QUANTITATIVE INFORMATION

In 2021, the "equivalent delta" value of the trading share portfolio (i.e. including the options delta) was equal to an average annual value of € 5.4 million (compared to an average figure of € 5.5 million for 2020), and a year-end point value of € 5.4 million (compared to € 7.5 million at 31 December 2020). The above values also include the UCITS units held in the trading portfolio.

As at 31 December 2021, the exposure almost exclusively covered European markets:

Trading book: price risk

Sensitivity to share prices (+1 bp) as at 31.12.2021 (figures in €)	Italy	France	Germany	The Netherlands	Eurostoxx	UCITS	Other	Total
Equity exposure	6,094	467	585	177	(5,541)	3,472	129	5,383

1.2.2 Interest rate and price risk - Banking book

QUALITATIVE INFORMATION

The interest rate risk of the HTC and HTC&S portfolios and the related hedging derivatives have been taken into account in the figures referred to in para. 2.1, together with trading positions, similarly to that carried out at management level.

If the above securities portfolios are excluded, the interest rate risk relating to the banking book is reduced: Banca Profilo's capital structure is characterised by assets and liabilities mainly on demand or variable rate.

On the lending side, loans to customers are mainly at variable rates, even if the fixed rate portion is growing by virtue of the COVID loans guaranteed by the Guarantee Fund.

On the funding side, those from customers are typically on demand. The only forms of fixed-rate funding are represented by repurchase agreements to finance Banca Profilo's securities portfolio, which together have an average residual maturity of one week. The loan with the ECB, which has an average residual maturity of 3 years, is instead indexed to the ECB reference rate.

By virtue of the peculiar composition of its assets and liabilities, Banca Profilo has no micro or macro hedge transactions in place on the interest rate risk of the banking book, with the exception of interest rate swaps entered into to hedge fixed-rate or inflation-linked securities included in the HTC and HTC&S portfolios.

Impacts resulting from the COVID-19 pandemic

As already highlighted in the section on the trading portfolio, the pandemic situation led to an immediate and unprecedented contraction of global GDP, with negative medium-term prospects, particularly impacting certain industrial sectors (transport, tourism, etc.). The economic recovery observed during 2021 remains highly dependent on the development of the infection situation. This situation of uncertainty could have a negative impact on all global stock markets, especially on the industrial sectors most impacted by the lockdown.

The intervention programmes that national governments have put in place to support the production system and families, in terms of size and duration, will determine an increase in public debts. Despite the massive intervention of the ECB, this situation of could lead to an increase in the spread on Italian government securities, with consequent negative impacts on the income statement of the bank or on its equity ratios. This risk is significant for the Group, and in particular for Banca Profilo, given the current composition of its banking book.

The structurally managerial HTC&S portfolio was affected at the beginning of the pandemic by the increase in spreads on government and non-government bonds, with an increase in the negative reserve of the portfolio and the consequent negative impact on the capital ratios of the parent company. This impact was completely recovered in the following months of 2020, thanks to the narrowing of the spreads observed on the market. The financial year 2021 showed a decreasing trend in the spread in the first part of the year, which then increased in the fourth quarter as the pandemic situation worsened.

QUANTITATIVE INFORMATION

Applying the standard rate shock scenario (200 bp) provided for by the Bank of Italy's supervisory regulations for quantifying the interest rate risk of the banking book, applying the floors envisaged in GL/EBA/2018/02 in the rate reduction scenario, the impact on the economic value is summarised in the table below:

Currency (€/thousand)	+ 200 bp	+ 200 bp
Euro	2,000	(1,602)
Other	992	- 385
Total	**2,992**	**(1,987)**

1.2.2 bis Price risk - Banking book

QUALITATIVE INFORMATION

The component of capital securities of the banking book is reduced: the securities listed in the banking book amounted to € 2.7 million at 31 December 2021. In view of the small number of positions, no transactions have been carried out to hedge the price risk of this component.

1.2.3 Exchange rate risk

QUALITATIVE INFORMATION

A. Exchange rate risk: general information, management processes and measurement methods

Within the Group, foreign exchange trading activity is marginal and is carried out exclusively by Banca Profilo.

With the exception of trading activities, the management of the Bank's overall exchange rate risk is the responsibility of the Treasury Function, which operates within the Finance Area.

Organisational and IT flows ensure that information about foreign exchange trading on behalf of customers and other trading desks reaches the Treasury on a daily basis, which consolidates these flows into its daily foreign exchange position.

The Treasury operates in such a way as to always remain within the overall open position limit in exchange rates and the position limits on individual currencies set out in the Risk Regulations.

Like the other risk factors, exchange rate risk is included in the daily VaR calculation, according to the methodology illustrated with regard to interest rate risk.

B. Hedging of exchange rate risk

At the reference date of 31 December 2021, there were no exchange rate risk hedging transactions.

Impacts resulting from the COVID-19 pandemic

There are no significant impacts deriving from the COVID-19 pandemic on exchange rate risk.

QUANTITATIVE INFORMATION

In 2021, Banca Profilo's open position in exchange rates averaged approximately € 4.8 million (compared to an average of € 4.9 million in 2020).

At 31 December 2021, Banca Profilo had a long net foreign exchange position of € 2.5 million. The year-end exposure for the main currencies against an exchange rate movement of 1% is detailed in the table below:

Exchange rate risk

Foreign exchange rate sensitivity against the euro (+1%) at 31.12.2021	USD	GBP	Other	Total
Exposure in exchange rates	1,685	479	358	2,522

1.3 DERIVATIVE FINANCIAL INSTRUMENTS

1.3.1 Derivative instruments held for trading

A. Financial derivatives

A.1 Financial derivatives held for trading: end of period notional amounts

Underlying assets/Types of derivatives	31/12/2021				31/12/2020			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central Counterparties	Without central counterparties: With clearing agreements	Without central counterparties: Without clearing agreements		Central Counterparties	Without central counterparties: With clearing agreements	Without central counterparties: Without clearing agreements	
1. Debt securities and interest rates	**74,500**	**474,271**	**7,348**	**293,662**	**-**	**583,500**	**-**	**319,049**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	74,500	474,271	7,348	-	-	583,500	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	293,662	-	-	-	319,049
e) Other	-	-	-	-	-	-	-	-
2. Equity securities and stock indices	**-**	**-**	**3,000**	**922,589**	**-**	**76,482**	**-**	**921,951**
a) Options	-	-	3,000	832,311	-	76,482	-	789,305
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	90,278	-	-	-	132,646
e) Other	-	-	-	-	-	-	-	-
3. Currencies and gold	**-**	**31,055**	**-**	**-**	**-**	**59,343**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	31,055	-	-	-	59,343	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**74,500**	**505,326**	**10,348**	**1,216,250**	**-**	**719,325**	**-**	**1,241,000**

A.2 Financial derivates held for trading: gross positive and negative fair values – by type of product

Types of derivatives	Total 31/12/2021				Total 31/12/2020			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central Counterparties	Without central counterparties: With clearing agreements	Without central counterparties: Without clearing agreements		Central Counterparties	Without central counterparties: With clearing agreements	Without central counterparties: Without clearing agreements	
1. Positive fair value								
a) Options	-	-	-	45,337	-	10,939	-	52,359
b) Interest rate swaps	100	26,555	8	-	-	25,716	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	59	-	-	-	- 493	-	-
f) Futures	-	-	-	2	-	-	-	2
g) Other	-	-	-	-	-	-	-	-
Total	**100**	**26,614**	**8**	**45,339**	**-**	**37,148**	**-**	**52,361**
2. Negative fair value								
a) Options	-	-	-	41,834	-	10,939	-	28,808
b) Interest rate swaps	88	28,069	-	-	-	25,712	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	98	-	-	-	275	-	-
f) Futures	-	-	-	8	-	-	-	11
g) Other	-	-	-	-	-	-	-	-
Total	**88**	**28,167**	**-**	**41,842**	**-**	**36,926**	**-**	**28,819**

A.3 OTC financial derivatives held for trading: notional amounts, gross positive and negative fair values by counterparty

Underlying assets	Central Counterparties	Banks	Other financial companies	Other entities
Contracts not subject to netting agreements				
1) Debt securities and interest rates				
- notional amount	X	-	-	7,348
- positive fair value	X	-	-	8
- negative fair value	X	-	-	-
2) Equity securities and stock indices				
- notional amount	X	-	-	3,000
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) Gold and currencies				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
4) Commodities				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Other				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts included in netting agreements				
1) Debt securities and interest rates				
- notional amount	74,500	276,348	197,922	-
- positive fair value	100	18,113	8,442	-
- negative fair value	88	19,154	8,915	-
2) Equity securities and stock indices				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Gold and currencies				
- notional amount	-	26,395	4,660	-
- positive fair value	-	59	1	-
- negative fair value	-	39	59	-
4) Commodities				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual maturity of OTC financial derivatives for trading: notional amounts

Underlying/Residual life		Up to 1 year	Over 1 year up to 5 years	Over 5 years	Total
A.1 Financial derivatives on debt securities and interest rates		105,500	384,500	66,119	556,119
A.2 Financial derivatives on equity securities and stock indices		3,000	-	-	3,000
A.3 Financial derivatives on currencies and gold		31,055	-	-	31,055
A.4 Financial derivatives on commodities		-	-	-	-
A.5 Other financial derivatives		-	-	-	-
Total	**31/12/2021**	**139,555**	**384,500**	**66,119**	**590,174**
Total	**31/12/2020**	**289,825**	**365,500**	**64,000**	**719,325**

B. CREDIT DERIVATIVES

B1. Credit derivatives held for trading: end of period notional amounts

Categories of transactions	Trading derivatives	
	on an individual party	on multiple parties (basket)
1. Purchases of protection		
a) Credit default products	76,434	298,814
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
Total 31/12/21	**76,434**	**298,814**
Total 31/12/20	**125,049**	**363,225**
2. Sales of protection		
a) Credit default products	159,477	250,000
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
Total 31/12/21	**159,477**	**250,000**
Total 31/12/20	**398,837**	**105,000**

Credit derivatives are used to hedge the issuer risk of specific positions in securities of the proprietary portfolio or, through index contracts to generically hedge the portfolio. Also included are CDSs relating to certain pure arbitrage transactions, in which the bank bought protection on the index and sold protection on individual components of the same index.

B.2 Credit derivatives held for trading: gross positive and negative fair values – by type of product

Types of derivatives	Total 31/12/21	Total 31/12/20
1. Positive fair value		
a) Credit default products	8,134	33,069
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
Total	**8,134**	**33,069**
2. Negative fair value		
a) Credit default products	9,310	36,603
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
Total	**9,310**	**36,603**

B.3 OTC credit derivatives held for trading: notional amounts, gross positive and negative fair value by counterparty

	Central Counterparties	Banks	Other financial companies	Other entities
Contracts not subject to netting agreements				
1) Purchase of protection				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
2) Sale of protection				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts included in netting agreements				
1) Purchase of protection				
- notional amount	-	92,682	282,566	-
- gross positive fair value	-	307	370	-
- gross negative fair value	-	3,091	4,979	-
2) Sale of protection				
- notional amount	-	67,000	342,477	-
- gross positive fair value	-	2,789	4,664	-
- gross negative fair value	-	98	1,142	-

B.4 Residual maturity of OTC credit derivatives held for trading: notional amounts

Underlying/Residual life	Up to 1 year	Over 1 year up to 5 years	Over 5 years	Total
1 Sale of protection	317,000	92,477	-	409,477
2 Purchase of protection	227,000	148,248	-	375,248
Total 31/12/21	**544,000**	**240,725**	**-**	**784,725**
Total 31/12/20	**198,000**	**794,112**	**-**	**992,112**

1.3.2 Hedge accounting

QUALITATIVE INFORMATION

A. Fair value hedging

The risk management strategy provides for the possibility of fair value hedging of the HTC and HTC&S portfolios from movements in interest rates and inflation rate, leaving them exposed only to movements in the credit spreads of the issuers of the securities purchased. To this end, in the event of the purchase of fixed-rate securities or securities linked to medium/long-term inflation, special hedging derivatives are normally entered into to transform the overall pay-off of the investment (security plus derivative) into that of a variable-rate security.

D. Hedging instruments

The hedging instruments used are interest rate swaps and inflation swaps.

E. Hedged items

The hedged items are fixed-rate securities or securities linked to medium/long-term inflation held in Banca Profilo's HTC and HTC&S portfolios.

QUANTITATIVE INFORMATION

A. Financial derivatives hedges

A.1 Financial derivatives held for hedging: end-of-period notional amounts

Underlying assets/Types of derivatives	Total 31/12/2021				Total 31/12/2020			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central Counterparties	Without central counterparties			Central Counterparties	Without central counterparties		
		With clearing agreements	Without clearing agreements			With clearing agreements	Without clearing agreements	
1. Debt securities and interest rates	**-**	**277,463**	**-**	**-**	**-**	**264,922**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	272,452	-	-	-	264,922	-	-
c) Forwards	-	5,011	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity securities and stock indices	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Currencies and gold	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**277,463**	**-**	**-**	**-**	**264,922**	**-**	**-**

A.2 Financial derivatives held for hedging: gross positive and negative fair values – by type of product

Types of derivatives	Positive and negative fair value							
	Total			31/12/2021	Total			31/12/2020
	Over the counter				Over the counter			
	Central Counterparties	Without central counterparties		Organised markets	Central Counterparties	Without central counterparties		Organised markets
		With clearing agreements	Without clearing agreements			With clearing agreements	Without clearing agreements	
Positive fair value								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	1,172	-	-	-	405	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	272	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**1,444**	**-**	**-**	**-**	**405**	**-**	**-**
Negative fair value								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	52,399	-	-	-	32,693	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**52,399**	**-**	**-**	**-**	**32,693**	**-**	**-**

A.3 OTC financial derivatives held for hedging: notional amounts, gross positive and negative fair value by counterparty

Underlying assets	Central Counterparties	Banks	Other financial companies	Other entities
Contracts not subject to netting agreements				
1) Debt securities and interest rates				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
2) Equity securities and stock indices				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) Gold and currencies				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
4) Commodities				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Other				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts included in netting agreements				
1) Debt securities and interest rates				
- notional amount	-	151,763	125,700	-
- positive fair value	-	1,072	372	-
- negative fair value	-	25,765	26,634	-
2) Equity securities and stock indices				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Gold and currencies				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Commodities				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other	-	-	-	-
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual maturity of OTC financial derivatives held for hedging: notional amounts

Underlying/Residual life		Up to 1 year	Over 1 year up to 5 years	Over 5 years	Total
A.1 Financial derivatives on debt securities and interest rates		18,443	119,228	139,792	277,463
A.2 Financial derivatives on equity securities and stock indices		-	-	-	-
A.3 Financial derivatives on currencies and gold		-	-	-	-
A.4 Financial derivatives on commodities		-	-	-	-
A.5 Other financial derivatives		-	-	-	-
Total	**31/12/2021**	**18,443**	**119,228**	**139,792**	**277,463**
Total	**31/12/2020**	**4,122**	**128,087**	**132,713**	**264,922**

1.3.3 Other information on derivative instruments held for trading and hedging

A. Financial and credit derivatives

A.1 Financial and credit derivatives: net fair values by counterparty

There are no figures to report.

1.4 LIQUIDITY RISK

QUALITATIVE INFORMATION

A. Liquidity risk: general information, management processes and measurement methods

Liquidity risk is represented by the possibility that a bank may not be able to meet its payment obligations when required, due to the inability to find new sources of funding or to sell assets on the market.

In particular, at Banca Profilo, the value of the securities in its portfolio exceeds the available capital and net direct funding from private and institutional customers: as a result, the Bank's securities portfolio must be largely financed on the market through repurchase agreements or interbank deposits. The liquidity risk, therefore, is provided by the possibility that, at their maturity, financing transactions cannot be renewed and that, alternatively, securities cannot be sold on the market (except at particularly penalising prices).

To monitor liquidity risk, the Board of Directors approved the Liquidity Policy and the Contingency Liquidity Plan. The first document, in accordance with the Group's RAF, sets out the principles that must guide liquidity management and establishes a series of limits to mitigate liquidity risk. In particular, the following have been established:

- limits to the net accumulated liquidity balance on different maturities, also commensurate with the results of the stress tests carried out periodically;
- limits for the LCR and NSFR indicator, higher than the minimum limits provided for in the supervisory regulations;
- leverage limits;
- concentration limits of funding from the top 5 counterparties, in order to improve the diversification of funding sources;
- overall value limits for non-eligible securities.

The second document (Contingency) provides a series of warning indicators for the prompt identification of a specific and/or systemic liquidity crisis, listing the actions to be taken and the bodies authorised to operate in a crisis situation.

Impacts resulting from the COVID-19 pandemic

With reference to liquidity risk, banks are required to cope with a huge demand for loans from businesses. The coordinated interventions of the central banks implemented up to now and the extraordinary programmes already announced have helped to mitigate this risk, preventing the emergence of tensions on the liquidity market. However, the negative trend of the financial markets and in particular of the spread on Italian government securities could erode the Bank's counterbalancing capacity and therefore its ability to access collateralised loans. To mitigate this risk, the Bank is holding much higher liquidity reserves than the target levels envisaged by the internal policy. It should also be noted that in December, Banca Profilo renewed the TLTRO-III operation from which it collected € 89.5 million.

QUANTITATIVE INFORMATION

As at 31 December 2021, the Bank had a net positive liquidity balance on all short-term maturities (up to 3 months), for amounts in excess of € 250 million: the value of eligible securities owned and not engaged in financing operations (and therefore available as a liquidity reserve), net of the haircut applied by the ECB, exceeded the amount of total funding on the wholesale market maturing over all the time periods considered.

At the same date, approximately 89% of the Bank's proprietary bond portfolio was represented by eligible securities that could be used to access ECB financing.

At the end of the year, Banca Profilo had a Liquidity Coverage Ratio (LCR) of 167%.

1. Time breakdown by contractual residual maturity of financial assets and liabilities

1. Time breakdown by contractual residual maturity of financial assets and liabilities (EURO)

Items/Time brackets	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Unspecified maturity
On-balance sheet assets	**373,132**	**84,151**	**11,798**	**35,067**	**15,861**	**25,620**	**30,835**	**450,266**	**253,368**	**-**
A.1 Government securities	-	-	18	-	2,015	16,250	15,859	346,815	187,199	-
A.2 Other debt securities	11,254	11	83	3,092	4,233	7,535	9,908	53,189	33,147	-
A.3 Units of UCITS	3,239	-	-	-	-	-	-	-	-	-
A.4 Loans	358,639	84,140	11,697	31,975	9,613	1,835	5,068	50,262	33,022	-
- Banks	38,710	13,126	-	-	2,602	-	-	-	-	-
- Customers	319,929	71,014	11,697	31,975	7,011	1,835	5,068	50,262	33,022	-
On-balance sheet liabilities	**657,742**	**341,071**	**69,861**	**49,449**	**79,331**	**4**	**21**	**103,000**	**14,072**	**-**
B.1 Deposits and current accounts	618,557	-	-	-	-	-	-	-	-	-
- Banks	6,597	-	-	-	-	-	-	-	-	-
- Customers	611,960	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	39,185	341,071	69,861	49,449	79,331	4	21	103,000	14,072	-
Off-balance sheet transactions										
C.1 Physically settled financial derivatives										
- Long positions	-	14,882	1,218	16,938	99,814	47,399	67,886	88,633	538	-
- Short positions	-	12,019	115	32,408	27,808	38,481	24,032	76,745	21,593	-
C.2 Cash settled financial derivatives										
- Long positions	27,106	-	-	-	-	-	-	-	-	-
- Short positions	32,625	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be settled										
- Long positions	576,242	-	-	-	-	-	-	-	-	-
- Short positions	-	476,593	-	-	-	-	-	99,649	-	-
C.4 Irrevocable commitments to disburse funds										
- Long positions	-	127,875	-	21,322	-	-	-	-	-	-
- Short positions	149,197	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Physically settled credit derivatives										
- Long positions	-	-	-	-	-	4,000	73,000	41,400	-	-
- Short positions	-	-	-	-	-	4,000	73,000	41,400	-	-
C.8 Cash settled credit derivatives										
- Long positions	45	-	-	-	-	-	-	-	-	-
- Short positions	2,898	-	-	-	-	-	-	-	-	-

1. Time breakdown by contractual residual maturity of financial assets and liabilities (OTHER CURRENCIES)

Items/Time brackets	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Unspecified maturity
On-balance sheet assets	**891**	**3,508**	**14**	**3,429**	**3,952**	**3,553**	**8,373**	**23,351**	**4,709**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	14	33	3,952	3,553	8,373	23,351	4,709	-
A.3 Units of UCITS	226	-	-	-	-	-	-	-	-	-
A.4 Loans	665	3,508	-	3,396	-	-	-	-	-	-
- Banks	663	3,508	-	-	-	-	-	-	-	-
- Customers	2	-	-	3,396	-	-	-	-	-	-
On-balance sheet liabilities	**27,552**	**-**	**-**	**-**	**-**	**-**	**-**	**3,011**	**512**	**-**
B.1 Deposits and current accounts	27,552	-	-	-	-	-	-	-	-	-
- Banks	866	-	-	-	-	-	-	-	-	-
- Customers	26,685	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	3,011	512	-
Off-balance sheet transactions										
C.1 Physically settled financial derivatives										
- Long positions	-	11,416	1,740	1	11,311	-	-	-	1	-
- Short positions	-	14,310	2,842	14,524	7,908	4	-	4,683	3,446	-
C.2 Cash settled financial derivatives										
- Long positions	1,773	-	-	-	-	-	-	-	-	-
- Short positions	566	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be settled										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds										
- Long positions	-	-	-	3,025	-	-	-	-	-	-
- Short positions	3,025	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Physically settled credit derivatives										
- Long positions	-	-	-	-	-	-	-	117,511	-	-
- Short positions	-	-	-	-	-	-	-	117,511	-	-
C.8 Cash settled credit derivatives										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	3,929	-	-	-	-	-	-	-	-	-

1.5 OPERATIONAL RISKS

QUALITATIVE INFORMATION

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

Operational risk is defined as the risk of financial loss due to inadequate internal processes or their failures, human error, deficiencies in technological systems or caused by external events.

With reference to operational risk, within Banca Profilo:

- risk factors and loss events were mapped for all the most relevant commercial, production and administrative processes, with documentation of company activities, risk assessment and related mitigation controls;
- periodic tests of the effectiveness of the controls carried out are conducted;
- based on a self-assessment process of risk exposure by the organisational units, the most significant risks were identified in terms of potential impact and frequency;
- operating losses are recorded in a special database, in order to substantiate the self-assessments over time with an objective accounting feedback.

Impacts resulting from the COVID-19 pandemic

To safeguard **health**, particularly for colleagues, and in order to contain **operational risk**, the Bank implemented the following measures:

- set up the **Crisis Committee** to ensure timely and maximum protection for colleagues and customers;
- put smart working in place **for all colleagues, a system that has continued to be used throughout the crisis**;
- made investments in **technological infrastructure and** cybersecurity in order to manage remote activities;
- approved and updated the **Health Protocol for the return** to the Bank which provided for, among other initiatives, (i) amendments to the layout of the workstations in the various offices with a view to social distancing, (ii) colleague rotation and increased flexibility of office hours, (iii) the implementation of personal protection safeguards and the supply of PPE for colleagues, and (iv) training, information, cleaning and sanitisation as per regulations;
- initiated the use of **videoconferencing and** chat tools to optimise remote efficiency and to be able to maintain a high rate of smart working;
- prepared, in accordance with the provisions of the 2020-2023 Business Plan, the Regulations for the use of smart working even beyond the emergency and the related operational contractual agreement.

To support the **operations of its customers**, the Group has:

- ensured **full operational continuity** for all customers for all services during the period;
- kept the Bank **open and always operational** in all its branches;
- encouraged the use of web services and released the customer App to allow greater usability of the information remotely, activating a section for bank transfers at the same time;
- activated simplified forms of interaction with customers through paperless procedures and the **automation** of manual processes using robotics tools.

Finally, in support of **the economic community,** the Group has:

- participated in support initiatives in the areas of health and education most affected by the emergency;
- adhered to **government initiatives**, such as moratoriums and customer information;
- implemented a **€ 100 million *ceiling*** for the credit guaranteed by MCC/SACE to support companies in difficulty as a result of COVID-19, already used in large part.

In consideration of the above, operating process controls have been strengthened and additional controls by the heads of the operating areas have also been envisaged, in addition to controls on IT and its connections having been enhanced.

QUANTITATIVE INFORMATION

To quantify operational risks for capital requirements purposes, Banca Profilo uses the basic approach.

The operational risk events that occurred in 2021 are insignificant overall.

The type of proceedings and disputes in which the Group is a defendant can be summarised as follows:

Type of proceeding	Presumed disbursement
Legal disputes	-
Complaints and grievances	266
Total	**266**

Section 3 – Risks of insurance companies

Banca Profilo and its subsidiaries do not carry out insurance activities.

Section 4 - Risks of other companies

All the companies included in the consolidation are part of the Banca Profilo Banking Group.

Information on risk management policies
The Banca Profilo Banking Group headed by the Parent Company Arepo BP S.p.A. publishes on the Banca Profilo website the "Disclosure by Entities" document drawn up on the basis of the regulations (CRR) with reference to 31 December 2021.

At the same time, information to the public, State by State, will be published on the site as provided for by Title III, Chapter 2 of Bank of Italy Circular 285.

The path on the Group's website is: https://www.bancaprofilo.it \ Investor Relations \ Pillar III Informativa al pubblico.

PART F - Information on Consolidated Shareholders' Equity

Section 1 - Consolidated shareholders' equity

A. QUALITATIVE INFORMATION

The shareholders' equity of Banca Profilo and its subsidiaries is made up of capital, share premiums and other reserves including retained earnings/losses.

The mandatory capital requirements to which we adhere are those provided for by the regulations on shareholders' equity and the prudential ratios issued by the Supervisory Body.

The Parent Company Arepo BP S.p.A. is required to issue consolidated supervisory reports.

This requirement is guaranteed by a control and monitoring process continuously carried out by the offices of Banca Profilo.

In particular, with reference to the granting of credit carried out by Banca Profilo to parties other than banks, insurance companies and financial intermediaries, it should be noted that, precisely in order to guarantee and monitor the capital requirements required by the Supervisory Body, this activity mainly concerns Private Banking customers and is generally subject to the provision of suitable guarantees; this activity is in any case instrumental to managing relations with medium-high end customers.

In relation to the current and prospective situation, the current organisational structure and controls ensure sound and prudent management.

B. QUANTITATIVE INFORMATION

B.1 Consolidated shareholders' equity: breakdown by business type

Items of shareholders' equity	Prudential consolidation	Insurance companies	Other companies	Consolidation adjustments and eliminations	Total
1. Share capital	162,094	-	-	(25,100)	136,994
2. Share premium	82	-	-	-	82
3. Reserves	24,118	-	-	5,353	29,471
3.5 Interim dividends	(10,472)	-	-	-	(10,472)
4. Equity instruments	-	-	-	-	-
5. (Treasury shares)	(5,634)	-	-	-	(5,634)
6. Valuation reserves:	1,788	-	-	-	1,788
- Equity securities designated at fair value through other comprehensive income	1,773	-	-	-	1,773
- Hedges on equity securities designated at fair value through other comprehensive income	-	-	-	-	-
- Financial assets (other than equity securities) measured at fair value through other comprehensive income	605	-	-	-	605
- Property, plant and equipment	-	-	-	-	-
- Intangible assets	-	-	-	-	-
- Hedge of foreign investments	-	-	-	-	-
- Cash flow hedges	-	-	-	-	-
- Hedging instruments [elements not designated]	-	-	-	-	-
- Exchange differences	-	-	-	-	-
- Non-current assets held for sale and discontinued operations	-	-	-	-	-
- Financial liabilities designated at fair value through profit and loss (changes in its creditworthiness)	-	-	-	-	-
- Actuarial gains (losses) on defined benefit pension plan	(590)	-	-	-	(590)
- Share of valuation reserves of equity investments valued at equity	-	-	-	-	-
- Special revaluation laws	-	-	-	-	-
7. Profit (Loss) for the year (+/-) pertaining to the group and non-controlling interests	17,152	-	-	(5,527)	11,625
Total	**189,128**	**-**	**-**	**(25,274)**	**163,854**

The table above details by type the book net equity of € 163,854 thousand, entirely attributable to the Group.

B.2 Revaluation reserves of financial assets measured at fair value through other comprehensive income: breakdown

Assets/Amounts		Prudential consolidation		Insurance companies		Other companies		Consolidation adjustments and eliminations		Total	
		Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities		2,072	1,466	-	-	-	-	1	1	2,073	1,467
2. Equity securities		1,817	45	-	-	-	-	-	-	1,817	45
3. Loans		-	-	-	-	-	-	-	-	-	-
Total	**31/12/2021**	**3,889**	**1,511**	**-**	**-**	**-**	**-**	**1**	**1**	**3,890**	**1,512**
Total	**31/12/2020**	**5,276**	**892**	**-**	**-**	**-**	**-**	**(78)**	**1**	**5,198**	**893**

The table above details the group's net valuation reserves by type of financial asset measured at fair value through other comprehensive income. The table below provides the annual change in these reserves.

B.3 Revaluation reserves of financial assets measured at fair value through other comprehensive income: changes in the year

	Debt securities	Equity securities	Loans
1. Opening balances	**1,260**	**3,045**	**-**
2. Positive changes	**3,322**	**299**	**-**
2.1 Fair value increases	2,938	295	-
2.2 Value adjustments for credit risk	63	X	-
2.3 Reversal to income statement of negative reserves from disposals	321	X	-
2.4 Transfers to other components of shareholders' equity (equity securities)	-	4	-
2.5 Other changes	-	-	-
3. Negative changes	**(3,976)**	**(1,572)**	**-**
3.1 Fair value decreases	(2,542)	(1,171)	-
3.2 Reversals for credit risk	(8)	-	-
3.3 Reversal to income statement of positive reserves from disposals	(1,284)	X	-
3.4 Transfers to other components of shareholders' equity (equity securities)	-	(342)	-
3.5 Other changes	(143)	(58)	-
4. Closing balances	**605**	**1,773**	**-**

B.4 Valuation reserves for defined benefit plans: annual changes

The valuation reserves related to defined benefit plans went from a negative balance of € 3,217 thousand as at 31 December 2020 to a negative balance of € 590 thousand as at 31 December 2021. The change is mainly linked, for € 2,425 thousand, to the de-consolidation of the assets and liabilities of Banque Profil de Gestion.

Section 2 - Banking own funds and regulatory ratios

The Parent Company of the Banca Profilo Banking Group is Arepo BP S.p.A. and is required to report to the Supervisory Body on a consolidated basis on regulatory capital and prudential ratios in accordance with current regulations. As indicated in the official document of Bank of Italy Circular 262/2005, for information on own funds and regulatory ratios, reference should be made to the consolidated information contained in the Disclosure by entities to the public (Pillar 3) provided for by Regulation (EU) no. 575/2013 ("CRR") prepared by the Parent Company Arepo BP, which is made public, within legal terms, on the Banca Profilo website at the following address: www.bancaprofilo.it\Investor relations\Pillar III informativa_al_pubblico.

It should also be noted that in the Report on Operations of this document, in the section "Commentary on the consolidated balance sheet data", information on the Own Funds and the Capital Adequacy of Banca Profilo and its subsidiaries is available.

PART G - Business Combinations concerning companies or lines of business

There have been no business combinations carried out during the year.

PART H – Transactions with related parties

1) Information on the remuneration of key management personnel

This information refers to those who have the power and responsibility, directly or indirectly, for the planning, management and control of the activities of Group companies.
The table below shows the remuneration of directors, statutory auditors and key management personnel.

Role (amounts in €/thousand)	Fixed remuneratio n (d)	Remuneration for participation in committees (a)	Non-equity variable compensation		Non-monetary benefits	Other remuneration	Total	*Fair value of equity compensation (c)*	End of term of office or termination of employment indemnity
			Bonuses and other incentives (b)	Profit participation					
Board of Directors (d)	1,204	74	379		20		1,677	70	
Board of Statutory Auditors and Supervisory Board	230						230		
Key management personnel	3,459		1406		165		5,030	259	
(I) Compensation in the reporting company	4,015	74	1761		146		5,996	329	
(II) Compensation from subsidiaries and associates	878		24		39		941		
(III) Total	4,893	74	1785		185		6,937	329	

Notes:

(a) Remuneration as a member of the Remuneration Committee, Appointments Committee and Risk Control Committee

(b) In the case of deferred bonuses, both the upfront portion of the year to which they relate and the relevant portions of deferred components relating to previous years are provided

(c) The fair value of the shares (Stock Grant Plan) granted in 2021 is provided

(d) The amount also includes remuneration from employment

2) Information on related-party transactions

The following is a summary of the transactions carried out with related parties during the year and those in place as at 31 December 2021.

As regards the transactions of greater significance, it should be noted that on 17 December 2020 the Parent Company, Banca Profilo, approved the framework resolutions adopted until 31 December 2021 relating to the following transactions:

- i) repurchase and reverse repurchase agreements, ii) spot purchase and sale transactions, iii) forward purchase and sale transactions with Extrabanca S.p.A. (a company in which AREPO BP holds a significant controlling interest) where for point i) the individual transactions cannot have a duration of more than 3 months and the total value of outstanding transactions cannot exceed € 80 million and will be governed by a GMRA (Global Master Repurchase Agreement) framework agreement signed at normal market conditions, for point ii) spot purchase and sale of securities (mainly government bonds) and the cumulative counter value of the transactions cannot exceed € 300 million in 2021, while for point iii) forward purchase and sale transactions may not have a maturity exceeding 6 months and the total value of the outstanding transactions may not exceed € 80 million and being OTC transactions will be supported by Credit Support Annex.
  There are no repurchase agreements in place at 31 December 2021. During 2021, however, repurchase agreement transactions were carried out for a total nominal value of approximately € 294 million.
- Transactions for the transmission of orders to BPdG for the purchase of new bond issues by institutional customers through the Intermediation desk of Banca Profilo, transactions carried out under normal market conditions. As already described in the Significant Events section of the Report on Operations, on 1 June 2021, following the obtainment of the authorisation by FINMA, the closing of the transaction announced on 10 February 2021 was finalised, which on the one hand envisages the purchase by Banque Profil de Gestion SA (BPDG) of 100% of the capital of One Swiss Bank (OSB) and at the same time, the disposal by Banca Profilo of all the shares held in BPDG to the current shareholders of OSB. Therefore, starting from 1 June 2021 BPDG, merged into OSB, is no longer considered a related party. For the sake of full disclosure, it should be noted that for the 2021 financial year, volumes of approximately € 490 million were traded.
- Conferment of the recurring assignment for the corporate activity carried out in favour of the Bank by the Mariconda-Chiantini notary office on which the Director, Dr Ezilda Mariconda, and in particular, the following (i) conferment and revocation of special powers of attorney; (ii) corporate obligations that require filing with the company register; (iii) endorsement of company books; (iv) support in corporate activities connected with the shareholders' meetings, including the preparation of the minutes, if any; (v) authentications and issue of certified copies; (vi) creation/cancellation of pledges/guarantees/mortgages; (vii) activities related to the disbursement of credit. All within a gross annual amount of a maximum of € 30,000.00. It should be noted that the meeting of 22 April 2021 appointed the new members of the Board of Directors and that as of that date, Ms Ezilda Mariconda is no longer a Director and therefore is no longer considered a related party. For the sake of full disclosure, it should be noted that for the 2021 financial year, invoices for approximately € 24 million were received.

Group transactions with unconsolidated subsidiaries and/or related parties

Definition (amounts in €/thousand)	Assets*			Liabilities*		Guarantees and commitments
	Item 30 - Financial assets measured at fair value through other comprehensive income	Item 40 - Financial assets measured at amortised cost	Item 130 - Other assets	Item 10 - Financial liabilities measured at amortised cost	Item 80 - Other liabilities	
a) Entities which, directly or indirectly, through one or more intermediaries, control Banca Profilo						
Arepo Bp S.p.A.			*76*	*9,032*	*3,353*	
Sator Investments S.a.r.l.				*347*		
Total group a)		***0***	***76***	***9,379***	***3,353***	
b) Key management personnel		***7,729***		***1.312***	***2,871***	***7***
c) Close family members of the personnel referred to in point b		***485***		***1,626***		
d) Entity controlled, jointly controlled or subject to significant influence or in which a significant share, in any case not less than 20% of the voting rights by a party referred to in letter b above, is held directly or indirectly		***169***		***241***		
e) Related parties of Banca Profilo's related parties	***6,630***	***4,804***	***82***	***2,630***	***251***	
f) Other related parties						
BANCA PROFILO'S TOTAL CONSOLIDATED FINANCIAL STATEMENT ITEM	***221,623***	***948,183***	***29,347***	***1,317,832***	***30,227***	***295,332***
TOTAL Transactions with related parties	***6,630***	***13,188***	***158***	***15,188***	***6,475***	***7***
INCIDENCE %	***2.99%***	***1.39%***	***0.54%***	***1.15%***	***21.41%***	***0.00%***

* = as per items in the mandatory annual financial statements Bank of Italy Circular no. 262 of 22.12.2005 and subsequent updates.

Group transactions with unconsolidated subsidiaries and/or related parties

Definition (amounts in €/thousand)	Revenues*			Costs*			
	Item 10 - Interest income and similar revenues	Item 40 - Fee and commission income	Item 230 - Other operating income/expenses	Item 20 - Interest expenses and similar charges	Item 50 - Fee and commission expenses	Item 190 - Administrative expenses - Other	Item 190 - Administrative expenses - Personnel expenses
a) Entities which, directly or indirectly, through one or more intermediaries, control Banca Profilo							
Arepo Bp S.p.A.	43		152	-4			239
Sator Investments S.a.r.l.							
Total group a)	**43**		**152**	**-4**			**239**
b) Key management personnel	**42**	**32**					**-9,178**
c) Close family members of the personnel referred to in point b	**2**	**64**					
d) Entity controlled, jointly controlled or subject to significant influence or in which a significant share, in any case not less than 20% of the voting rights by a party referred to in letter b above, is held directly or indirectly	**2**	**37**					
e) Related parties of Banca Profilo's related parties	**216**	**1**	**-366**	**-2**	**-52**	**-793**	**26**
f) Other related parties	**2**			**-150**			**-31**
BANCA PROFILO'S TOTAL CONSOLIDATED FINANCIAL STATEMENT ITEM	**19,533**	**31,385**	**4,331**	**-2,152**	**-3,543**	**-23,176**	**-28,793**
TOTAL Transactions with related parties	**306**	**(135)**	**-215**	**-156**	**-52**	**-793**	**-8,944**
INCIDENCE %	**1.57%**	**0.43%**	**-4.96%**	**7.24%**	**1.48%**	**3.42%**	**31.05%**

* = as per items in the mandatory annual financial statements Bank of Italy Circular no. 262 of 22.12.2005 and subsequent updates.

PART I – Share-Based Payment Agreements

This section provides information on share-based payment agreements that are recognised in the balance sheet under "reserves" (liability item 150) as equity settled plans. The related cost is recognised under Personnel Expenses. Further information can be found in the Report on Operations.

A. QUALITATIVE INFORMATION

1. Description of share-based payment agreements

The April 2015 Shareholders' Meeting of Banca Profilo approved a Stock Grant Plan in favour of its employees both to comply with the requirements of the regulatory bodies for the payment of the variable component of the remuneration for "key employees", under the definition provided by the Bank of Italy on the subject of remuneration (see Circular 285/2013) and to provide for motivational and retention mechanisms for the remaining personnel, if certain conditions are met. The Plan was subsequently extended by the 2017 Shareholders' Meeting and, most recently, by the 2020 Shareholders' Meeting, which extended it for a further three years (2020-2022).

The Plan provides for: (i) the assignment of shares, both for the upfront and deferred components, once the malus conditions for each individual deferral period have been exceeded (detailed in the Bank's Remuneration Policy in force at the time - see Remuneration Report available at the following web address: www.bancaprofilo.it/CorporateGovernace/Documenti Societari/Remunerazioni) and in the absence of individual malus situations and (ii) the attribution of the same, after the retention periods, as a result of the relationship and absence of individual malus situations.

The Beneficiaries of the Plan are the Chief Executive Officer and General Manager and the other employees of the Bank and its subsidiaries who have joined the Plan, or the executive directors of the latter; the operating procedures of the Plan are differentiated according to whether or not the staff fall under the category of "key employees".

In particular, for "key employees" the retention and deferral periods provided for by the Remuneration Policy in force at the time apply.

Under the existing stock grant plan, 2,428,472 Banca Profilo shares were allocated in April 2021 and 515,208 in November 2021; in both cases, the treasury shares held in the portfolio by Banca Profilo were used as planned.

B. QUANTITATIVE INFORMATION

1 Annual changes

The stock option plan of Banca Profilo expired in 2017.

PART L – Segment Reporting

Representation by business segment was chosen as the primary reporting method, based on the requirements of IFRS 8, as it reflects the responsibilities for making operational decisions, based on the Group's organisational structure.

The defined sectors of activity are:

- Private Banking & Investment banking relating to the activities of the Private Banking Area with administered and managed Italian private and institutional customers, as well as the Investment Banking activities and the activities of the subsidiary Arepo Fiduciaria;
- **Finance**, relating to the management and development of trading activities on own account and on behalf of third parties in financial instruments and services related to their issue and placement;
- **Digital channels**, relating to the activities carried out in partnership with Tinaba on a digital platform;
- **Foreign Activities**, includes the contribution to the Income Statement recorded by the Swiss subsidiary Banque Profil de Gestion (BPDG) in the first five months of 2021. On 1 June 2021, the closing of the sale transaction on behalf of Banca Profilo, of all the shares held by BPDG, to shareholders of One Swiss Bank, was finalised. Therefore in the following tables, the income statement figure for 2021 made by the Swiss subsidiary in the first five months of 2021 is provided. Following the deconsolidation of the Swiss bank however, there is no financial evidence to be recognised;
- ***Corporate Centre***, which oversees the guidance, coordination and control functions of the entire Group; this sector includes overheads, intra-group eliminations and the activities of the subsidiary Profilo Real Estate.

Breakdown by operating segment: income statement figures

(€/thousand)	Private & Inv. Banking		Finance		Activities Abroad		Digital Channels		Corporate Centre		Total	
	12 2021	12 2020*	12 2021	12 2020	12 2021	12 2020	12 2021	12 2020	12 2021	12 2020*	12 2021	12 2020
Net interest income	3,413	3,505	14,396	10,807	0	1,262	(10)	(9)	(417)	(91)	17,382	15,473
Other net revenues	27,679	20,680	21,854	23,613	0	9,236	(734)	(202)	(379)	(514)	48,420	52,812
Net fee and commission income	27,462	20,171	1,907	1,457	-	5,927	(647)	(203)	(452)	(318)	28,270	27,034
Profit (loss) from trading	29	0	20,060	22,223	-	2,931	0	0	(532)	(485)	19,556	24,668
Other income and charges	188	509	(112)	(67)	-	378	(87)	0	606	289	594	1,109
Total net revenues	**31,091**	**24,185**	**36,250**	**34,420**	**0**	**10,498**	**(744)**	**(212)**	**(796)**	**(606)**	**65,802**	**68,285**
Total operating expenses	(21,233)	(17,987)	(11,658)	(10,907)	0	(11,716)	(3,849)	(2,819)	(12,283)	(11,055)	(49,024)	(54,483)
Operating income	**9,858**	**6,198**	**24,592**	**23,513**	**0**	**(1,217)**	**(4,593)**	**(3,030)**	**(13,079)**	**(11,661)**	**16,778**	**13,803**
Result before taxes	**9,127**	**6,129**	**23,943**	**23,421**	**0**	**(1,495)**	**(4,593)**	**(3,030)**	**(13,024)**	**(11,539)**	**15,452**	**13,486**

(*) Some 2020 figures have been reclassified for a better comparison with 2021 figures

Breakdown by operating segment: balance sheet figures

(€/thousand)	Private & Inv. Banking		Finance		Activities Abroad		Digital Channels		Corporate Centre		Total	
	12 2021	12 2020*	12 2021	12 2020*	12 2021	12 2020	12 2021	12 2020	12 2021	12 2020	12 2021	12 2020
Loans	**325,623**	**270,570**	**554,664**	**407,292**	**-**	**58,615**	**-**	**-**	**-**	**-**	**880,287**	**736,477**
Direct funding	**630,965**	**664,447**	**316,395**	**270,871**	**-**	**235,079**	**37,748**	**14,964**	**-**	**-**	**985,108**	**1,185,361**
Indirect funding	**4,821,066**	**4,312,217**	**30,865**	**51,920**	**-**	**2,333,274**	**21,333**	**5,859**	**-**	**-**	**4,873,264**	**6,703,270**

(*) Some 2020 figures have been reclassified for a better comparison with 2021 figures

Net fee and commission income relating to Private & Investment banking mainly refers to portfolio management, securities placement and advisory fees. Net fee and commission income relating to Finance relates exclusively to commissions on trading in financial instruments. Net fee and commission income relating to Activities Abroad mainly refer to portfolio management, securities custody and administration and securities placement commissions.

A.1 Breakdown by operating segment: income statement figures

	ITALY 2021	ABROAD 2021	Total 2021
Net interest income	17,382	-	17,382
Other net revenues	48,420	-	48,420
Total net revenues	**65,802**	**-**	**65,802**
Total operating expenses	(49,025)	-	(49,025)
Operating income	**16,777**	**-**	**16,777**
Result before taxes	**15,452**	**-**	**15,452**

A.1 Breakdown by operating segment: income statement figures

	ITALY 2020	ABROAD 2020	Total 2020
Net interest income	14,211	1,262	15,473
Other net revenues	43,576	9,236	52,812
Total net revenues	**57,787**	**10,498**	**68,285**
Total operating expenses	(42,767)	(11,716)	(54,483)
Operating income	**15,020**	**(1,217)**	**13,803**
Result before taxes	**14,981**	**(1,124)**	**13,857**

Part M – Information on leases

Section 1 - Lessee

QUALITATIVE INFORMATION

The Group has entered into lease contracts within the scope of IFRS 16 for the purpose of carrying out its business activities. In respect of these contracts, the right to use the leased assets and the related liability arising from each contract are recorded in the financial statements.
These contracts are accounted for in accordance with the provisions of IFRS 16 as detailed in section A.2 of Part A - Accounting Policies, to which reference should be made.
The main types of property, plant and equipment that the Group recognises relate to buildings and others (cars and photocopiers).
The rights of use recorded in relation to these lease contracts are mainly used for the provision of services to customers, or for administrative purposes, and are accounted for using the cost method. In the case of sub-leases, the relevant lease contract (financial or operating, depending on the contractual characteristics) is recognised in accordance with accounting standards. The Group has only one sublease agreement with the Parent Company Arepo BP for premises located in Rome.
Rights of use and the corresponding payables for short-term lease contracts (12 months) or for assets with a limited unit value (equal to or less than € 5 thousand) are not recorded in the accounts. The related lease payments arising from these types of assets are recorded under item “190. Administrative expenses” on an accrual basis.
Please note that the Group has not carried out any sale and leaseback transactions.

QUANTITATIVE INFORMATION

As also explained in Section 9 – Property, plant and equipment of Part B – Information on the consolidated balance sheet – Assets, the Group holds rights of use for lease contracts with a book value of € 4.3 million as at 31 December 2021.
During the year, these rights of use implied the recording of depreciation of € 0.7 million, of which:
- € 407 thousand relating to buildings;
- € 302 thousand relating to other (cars and photocopiers).

The book value of lease payables is shown in Part B - Information on the consolidated balance sheet - Liabilities - Section 1 - Financial liabilities measured at amortised cost - Item 10, to which reference should be made.
During the year, these lease payables involved the recognition of interest expenses for € 49 thousand, as shown in Part C - Information on the consolidated income statement - Section 1 - Interest - Items 10 and 20 of the income statement of these Notes to the Consolidated Financial Statements.
The Group currently has no short-term lease contracts. With reference to lease contracts with a modest unit value, the rents payable recognised in administrative expenses are negligible.
It should also be noted that, in order to determine the duration of lease contracts under the scope of IFRS 16, the Group takes into account the non-cancellable period provided for in the contract, as well as any renewal options, assessing the reasonable certainty of renewal by the Group entity committed to the contract. With particular reference to contracts that provide for the lessee's right to tacitly renew the lease at the end of an initial period, the contractual duration for IFRS 16 purposes is determined by assessing the duration of the initial period, the possible existence of business plans for the disposal of the leased business, as well as any other circumstances that may indicate reasonable certainty about the renewal.
Considering this, the amount of cash flows, not reflected in the calculation of lease payables, to which the Group is potentially exposed, is to be attributed exclusively to the possible renewal of lease contracts, not incorporated in the original calculation of lease liabilities in light of the information available as at 1 January 2019 for contracts recognised on first-time adoption of the standard, or at the date of commencement of the lease for contracts entered into during the 2019 - 2020 - 2021 financial years.

Section 2 - Lessor

QUALITATIVE INFORMATION

The Group has only one lease contract in place for its assets to third parties, in particular for its Parent Company, Arepo BP, with reference to the company's headquarters. This contract is represented in the financial statements through the recognition, on an accrual basis, of the rents received, recorded under item 230. Other operating income/expenses.

QUANTITATIVE INFORMATION

1. Balance sheet and income statement information
With reference to the only lease contact currently in place, the book value of the leased property represents a negligible portion of property, plant and equipment used in the business, relating to land and buildings, represented in Section 9 - Property, plant and equipment - Item 90 of Part B of these Notes to the Consolidated Financial Statements.

The rents recorded on an accrual basis during the year for the lease of such assets are provided in part C - Information on the consolidated income statement - Section 16 - Other operating income/expenses - Item 230 of the income statement of the Notes to the Consolidated Financial Statements.

2. Finance leases
The Group did not have any finance lease operations in place as at 31 December 2021.

3. Operating leases

3.1 Classification by time bands of payments to be received
Under the contract currently in place with Arepo BP until June 2025, the subsidiary Profilo Real Estate expects to receive payments of € 15 thousand per year, adjusted annually by 75% for variations in the ISTAT index.

3.2 Other information
In light of the negligibility of the rental relationship in favour of third parties, no further significant information is identified beyond that reported above.

Summary Statements of the Parent Company Arepo BP

Below is the summary statement required by Article 2497- bis of the Italian Civil Code extracted from the financial statements of Arepo BP S.p.A. for the year ended 31 December 2020. For an adequate and complete understanding of the balance sheet and financial position of the entity indicated above as at 31 December 2020, as well as the economic result achieved in the financial year ended on that date, please refer to the financial statements which, together with the Independent Auditors' report, are available in the forms and manner required by law.

Arepo BP S.p.A. Separate Statutory Balance Sheet

Assets (amounts in €)	31/12/2020	31/12/2019
10. Cash and cash equivalents	103	41
20. Financial assets measured at fair value through profit and loss		-
a) financial assets held for trading;		
b) financial assets designated at fair value;		
c) other financial assets mandatorily measured at fair value		
30. Financial assets measured at fair value through other comprehensive income		
40. Financial assets measured at amortised cost	321,717	430,889
a) loans and advances to banks	321,717	430,889
b) loans and advances to customers		
50. Hedging derivatives		
60. Change in value of macro-hedged financial asset (+/-)		
70. Equity investments	89,524,286	99,820,538
80. Property, plant and equipment	245,086	283,318
90. Intangible assets		
of which:		
- goodwill		
100. Tax assets	1,553,798	2,114,421
a) current	864,328	798,953
b) deferred	689,470	1,315,468
110. Non-current assets and disposal groups held for sale	7,900,000	
120. Other assets	1,680,490	686,679
Total Assets	**101,225,480**	**103,335,887**

Liabilities and Shareholders' equity (amounts in €)	**31/12/2020**	**31/12/2019**
10. Financial liabilities measured at amortised cost	4,732,495	4,357,026
a. Deposits from banks	3,741,858	3,338,630
b. Deposits from customers	990,637	1,018,395
c. Debt securities issued		
20. Financial liabilities held for trading		
30. Financial liabilities designated at fair value		
40. Hedging derivatives		
50. Change in value of macro-hedged financial liabilities (+/-)		
60. Tax liabilities		
a) current		-
b) deferred		-
70. Liabilities associated with assets held for sale		
80. Other liabilities	2,741,187	1,752,652
90. Employee severance indemnity		31,596
100. Provision for risks and charges		
a) commitments and guarantees issued		
b) pension and similar obligations		
c) other provisions for risks and charges		
110. Valuation reserves		(3,682)
120. Redeemable shares		
130. Equity instruments		
140. Reserves	7,717,949	(6,854,677)
150. Share premium	69,855,099	69,855,099
160. Share capital	35,060,000	35,060,000
170. Treasury shares (-)		-
180. Profit (Loss) for the year (+/-)	(3,445,352)	(862,125)
Total Liabilities and Shareholders' Equity	**101,225,480**	**103,335,887**

Arepo BP S.p.A. Separate Income Statement

Income statement items (amounts in €)	2020	Total
10. Interest income and similar revenues	444	1,281
20. Interest expense and similar charges	(131,734)	(75,398)
30. Net interest income	(131,290)	(74,117)
40. Fee and commission income		-
50. Fee and commission expenses	(757)	(2,049)
60. Net fee and commission income	(757)	(2,049)
70. Dividends and similar income		1,269,263
80. Net profit (loss) from trading		-
90. Net profit/(loss) from hedging		
100. Profit/(loss) from disposal or repurchase of:		
a) Financial assets measured at amortised cost		
b) Financial assets measured at fair value through other comprehensive income		
c) Financial liabilities		
110. Net profit (loss) from other financial assets and liabilities measured at fair value through profit and loss		
a) financial assets and liabilities designated at fair value		
b) other financial assets mandatorily measured at fair value		
120. Intermediation margin	(132,047)	1,193,096
130. Net value adjustments/reversals for credit risk on:		
a) Financial assets measured at amortised cost		
b) Financial assets measured at fair value through other comprehensive income		
140. Profit/loss from contractual changes without derecognitions		
150. Net result from financial activities	(132,047)	1,193,096
160. Administrative expenses:	(1,285,311)	(1,252,930)
a) personnel expense	(813,963)	(877,159)
b) other administrative expenses	(471,348)	(375,772)
170. Net provisions for risks and charges		
a) Commitments and guarantees issued		
b) Other net provisions		
180. Net value adjustments/reversals on property, plant and equipment	(38,223)	(38,285)
190. Net value adjustments/reversals on intangible assets		
200. Other operating income/expenses	9,895	38,202
210. Operating expenses	(1,313,649)	(1,253,013)
220. Gains (losses) on equity investments	(2,396,252)	(1,183,844)
230. Net result from the fair value measurement of property, plant and equipment and intangible assets		
240. Value adjustments to goodwill		
250. Profits/(Losses) on disposals of investments		
260. Profit/(loss) before tax from continuing operations	(3,841,948)	(1,243,760)
270. Tax on income for the year for continuing operations	396,596	381,635
280. Profit/(loss) after tax from continuing operations	(3,445,352)	(862,125)
290. Profit/(loss) after tax from discontinued operations		
300. Profit/(loss) for the year	(3,445,352)	(862,125)

ANNEXES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Banca Profilo Reclassified Consolidated Balance Sheet

ASSETS (amounts in €/thousand)	31/12/2021	31/12/2020	Changes	
			Absolute	%
Cash and cash equivalents	**24,728**	**81,691**	**-56,963**	**-69.7**
Financial assets in Securities and derivatives	**959,947**	**914,684**	**45,263**	**5.0**
- Trading portfolio	380,091	409,629	-29,538	-7.2
- Portfolio mandatorily measured at fair value	-	38	-38	-100.0
- Banking Portfolio	578,412	504,612	73,800	14.6
- Hedging derivatives	1,444	405	1,039	256.5
Receivables	**591,392**	**466,417**	**124,975**	**26.8**
- Receivables from banks and banking counterparties	58,596	83,193	-24,597	-29.6
- Receivables from customers for active loans	318,644	269,157	49,487	18.4
- Other receivables from customers	214,152	114,067	100,085	87.7
Fixed assets	**57,816**	**57,521**	**295**	**0.5**
- Property, plant and equipment	53,344	54,297	-953	-1.8
- Intangible assets	4,472	3,224	1,248	38.7
Groups classified as held for sale	**-**	**299,520**	**-299,520**	**-100.0**
Other asset items	**32,791**	**26,555**	**6,236**	**23.5**
Total Assets	**1,666,674**	**1,846,388**	**-179,714**	**-9.7**

LIABILITIES (amounts in €/thousand)	31/12/2021	31/12/2020	Changes	
			Absolute	%
Payables	**1,322,730**	**1,217,542**	**105,188**	**8.6**
- Payables to banks and central counterparties	337,622	267,260	70,362	26.3
- Current accounts and on-demand deposits with customers	638,645	681,658	-43,013	-6.3
- Leases and other payables to customers	341,565	268,624	72,941	27.2
- Certificate issued	4,898	0	4,898	100.0
Financial liabilities in Securities and derivatives	**144,814**	**143,229**	**1,585**	**1.1**
- Trading portfolio	92,415	110,536	-18,121	-16.4
- Hedging derivatives	52,399	32,693	19,706	60.3
Employee severance indemnity	**1,471**	**1,671**	**-200**	**-12.0**
Provisions for risks and charges	**1,215**	**387**	**828**	**214.0**
Associated liabilities held for sale	**0**	**248,302**	**-248,302**	**-100.0**
Other liability items	**32,590**	**39,052**	**-6,462**	**-16.6**
Group shareholders' equity	**163,854**	**176,466**	**-12,612**	**-7.2**
Non-controlling interests	**0**	**19,739**	**-19,739**	**-100.0**
Total liabilities	**1,666,674**	**1,846,388**	**-179,714**	**-9.7**

Reconciliation between the balance sheet items and the reclassified balance sheet format - Assets

Assets (Amounts in €/thousand)		31/12/2021	31/12/2020	Changes	
				Absolute	%
10	**Cash and cash equivalents**	**24,728**	**81,691**	**-56,963**	**-69.7**
	Financial assets in Securities and derivatives	**959,947**	**914,684**	**45,263**	**5.0**
	Trading portfolio	**380,091**	**409,629**	**-29,538**	**-7.2**
20. a)	Financial assets held for trading	380,091	409,629	-29,538	-7.2
	Portfolio mandatorily measured at fair value	**-**	**38**	**-38**	**-100.0**
20.b)	Financial assets mandatorily measured at fair value	-	38	-38	-100.0
	Banking Portfolio	**578,412**	**504,612**	**73,800**	**14.6**
30.	Financial assets measured at fair value through other comprehensive income	221,623	193,589	28,034	14.5
40. a)	Receivables from Banks - debt securities	9,300	16,386	-7,086	-43.2
40. b)	Receivables from Customers - debt securities	347,489	294,637	52,852	17.9
	Hedging derivatives	**1,444**	**405**	**1,039**	**256.5**
60	Hedging derivatives	1,444	405	1,039	14.5
	Receivables	**591,392**	**466,417**	**124,975**	**26.8**
	Receivables from banks and banking counterparties	**58,596**	**83,193**	-24,597	-29.6
40. a)	Receivables from Banks - Deposits at maturity	6,768	6,966	-198	-2.8
40. a)	Receivables from banks - Other loans	51,828	76,227	-24,399	-32.0
	Receivables from customers for active loans	**318,644**	**269,157**	**49,487**	**18.4**
40. b)	Receivables from Customers - Current Accounts	228,883	217,721	11,162	5.1
40. b)	Receivables from Customers - Mortgages	89,761	51,436	38,325	74.5
	Other receivables from customers	**214,152**	**114,067**	**100,085**	**87.7**
40. b)	Receivables from customers - repurchase agreements	123,216	50,779	72,437	142.7
40. b)	Receivables from Customers - Other loans	90,936	63,288	27,648	5.1
	Fixed assets	**57,816**	**57,521**	**295**	**0.5**
90	- Property, plant and equipment	53,344	54,297	-953	-1.8
100	- Intangible assets	4,472	3,224	1,248	-1.8
120	**Groups classified as held for sale**	**-**	**299,520**	**-299,520**	**-100.0**
	Other asset items	**32,791**	**26,555**	**6,236**	**23.5**
110.	Tax assets	3,442	3,274	168	5.1
130.	Other assets	29,349	23,281	6,068	26.1
	Total Assets	**1,666,674**	**1,846,388**	**-179,714**	**-9.7**

Reconciliation between the balance sheet items and the reclassified balance sheet format - Liabilities

Liability items (Amounts in €/thousand)		31/12/2021	31/12/2020	Changes	
				Absolute	%
	Payables	**1,322,730**	**1,217,542**	**105,188**	**8.6**
	Payables to banks and central counterparties	**337,622**	**267,260**	**70,362**	**26.3**
10. a)	Payables to banks - Central Banks	89,458	175,816	-86,358	-49.1
10. a)	Deposits from banks - banks	248,164	91,443	156,721	171.4
	Current accounts and on-demand deposits with customers	**638,645**	**681,658**	**-43,013**	**-6.3**
10.b)	Payables to customers - Current accounts and on-demand deposits with customers	638,645	681,658	-43,013	-6.3
	Leases and other payables to customers	**341,565**	**268,624**	**72,941**	**27.2**
10.b)	Payables to customers - Repurchase agreements	307,967	251,329	56,638	22.5
10.b)	Payables to customers - Leases and other payables	33,598	17,295	16,303	94.3
	Certificates issued	**4,898**	**0**	**4,898**	**100.0**
20.	- Trading portfolio	4,898	0	4,898	100.0
	Financial liabilities in Securities and derivatives	**144,814**	**143,229**	**1,585**	**1.1**
20.	- Trading portfolio	92,415	110,536	-18,121	-16.4
40.	- Hedging derivatives	52,399	32,693	19,706	60.3
90.	**Employee severance indemnity**	**1,471**	**1,671**	**-200**	**-12.0**
100.	**Provisions for risks and charges**	**1,215**	**387**	**828**	**214.0**
70.	**Associated liabilities held for sale**	**0**	**248,302**	**-248,302**	**-100.0**
	Other liability items	**32,590**	**39,052**	**-6,462**	**-16.6**
60.	Tax liabilities	2,363	2,323	40	1.7
80.	Other liabilities	30,227	36,729	-6,502	-17.7
	Group shareholders' equity	**163,854**	**176,466**	**-12,612**	**-7.2**
120.	Valuation reserve	1,788	2,036	-248	-12.2
150.	Reserves	29,383	34,433	-5,050	-14.7
155.	Interim dividends	(10,472)	-	-10,472	100.0
160.	Share premium	82	82	0	0.5
170.	Share capital	136,994	136,994	-0	0.0
180.	Treasury shares	(5,634)	(5,787)	153	-2.6
200.	Profit/(loss) for the year	11,713	8,709	3,004	34.5
190.	**Non-controlling interests**	**-**	**19,739**	**-19,739**	**-100.0**
	Total liabilities	**1,666,674**	**1,846,388**	**-179,715**	**-9.7**

Banca Profilo Reclassified Consolidated Income Statement

Consolidated income statement items (amounts in €/thousand)	2021	2020	Changes	
			Absolute	%
Net interest income (1)	17,382	14,211	3,171	22.3
Net fee and commission income (2)	28,269	21,107	7,162	33.9
Net result from financial activities and dividends (3)	19,556	21,738	-2,182	-10.0
Other operating income/expense (4)	595	732	-137	-18.7
Total net revenues	**65,802**	**57,787**	**8,015**	**13.9**
Personnel expense	(28,793)	(24,878)	-3,915	15.7
Other administrative expenses (5)	(17,898)	(15,629)	-2,269	14.5
Value adjustments on intangible assets and property, plant and equipment	(2,334)	(2,260)	-74	3.3
Total operating expenses	**(49,025)**	**(42,767)**	**-6,258**	**14.6**
Operating income	**16,777**	**15,020**	**1,757**	**11.7**
Net provisions for risks and charges	77	407	-330	-81.1
Net value adjustments/reversals for credit risk relating to financial assets measured at amortised cost	(1,181)	(315)	-866	275.3
Net value adjustments/reversals on financial assets measured at fair value through other comprehensive income	(93)	17	-110	n.s.
Value adjustments to goodwill	(128)	(148)	20	-13.7
Profit (loss) for the year before tax	**15,452**	**14,981**	**471**	**3.1**
Tax on income for continuing operations (6)	(5,103)	(4,746)	-357	7.5
Charges relating to the banking system (net of taxes) (7)	(930)	(901)	-29	3.2
Profit (loss) for the year after tax	**9,419**	**9,334**	**85**	**0.9**
Profit/(loss) from discontinued operations after tax (8)	2,206	(1,036)	3,242	n.s.
(Profit)/Loss for the year attributable to non-controlling interests	88	411	-323	-78.6
Parent company's profit (loss) for the year	**11,713**	**8,709**	**3,004**	**34.5**

(1) coincides with item 10. Interest Income and 20. Interest Expense (Bank of Italy Circular 262).
(2) includes Items 40. Fee and commission income and 50. Fee and commission expense in the mandatory annual financial statements (Bank of Italy Circular 262). From a management perspective, the item "Fee and commission income" shows the portion of the profitability of the product that remunerates the placement activity carried out by the Bank for the issue of its Certificates, included in accounting item 80 "Net result from financial activities" for an amount of € 61 thousand. The item also discounts commission reimbursements of € 0.4 million reclassified from the operational point of view under the item "other operating income and expenses".
(3) includes Items 70. Dividends and similar income, 80. Net profit/(loss) from trading, 90. Net profit/(loss) from hedging, 100. Profit/(loss) from disposal/repurchase and 110. Net profit/(loss) from other financial assets and liabilities measured at fair value through profit and loss in the mandatory annual financial statements (Bank of Italy Circular 262). The item discounts the portion of the profitability of the product that remunerates the placement activity carried out by the Bank for the issue of its Certificates, for an amount of € 61 thousand, reclassified on a management basis to "Net fee and commission income".
(4) coincides with Item 230. Other operating expenses/income (Bank of Italy Circular 262) included under Operating expenses in the mandatory annual financial statements, net of the recovery of stamp duty payable by Customers (for € 4.3 million) and the imbalance of income and expenses deriving from the Tinaba/Banca Profilo partnership agreement (net expenses of € 0.4 million), reclassified from an operational point of view under the item "Other administrative expenses", as well as net of the indemnities paid to the buyers of Banque Profil de Gestion (expenses of € 0.5 million) reclassified from an operational point of view under the item "Profit/(Loss) from discontinued operations after tax". This item also includes commission reimbursements for € 0.4 million from the management item "net fee and commission income".
(5) includes item 190 b) Other administrative expenses shown net of the recovery of stamp duty charged to customers (for € 4.3 million) and Gross charges relating to the banking system (for € 1.4 million), the latter reclassified for management purposes under the item "Charges relating to the banking system net of taxes". This item also includes the imbalance of income and expenses deriving from the Tinaba/Banca Profilo partnership agreement (net expenses of € 0.4 million) deriving from the management item "Other operating income (expenses)".
(6) coincides with Item 300. "Income taxes for the year of current operations" of the mandatory annual financial statements (Bank of Italy Circular 262), net of the tax effect on Charges relating to the banking system (for € 0.4 million) reclassified for management purposes under the item "Charges relating to the banking system (net of taxes)".
(7) includes charges aimed at maintaining the stability of the banking system (for € 1.4 million) classified in the accounts under item 190 b) Other administrative expenses and shown net of the tax effect (for € 0.4 million) accounted for under item 300. Tax on income for the year for continuing operations.
(8) includes the consolidated net result of the subsidiary BPdG, reclassified under this item in accordance with IFRS 5, as well as for financial year 2021 the result deriving from its sale, equal to € 2.85 million, classified under item 320. Profit/(loss) from discontinued operations net of taxes in the mandatory financial statements (Bank of Italy Circular 262). The indemnities paid to the purchasing counterparty, equal to € 0.5 million, classified under item 230, are also reclassified here. Other operating income/expense.

Reconciliation between the items of the income statement and the reclassified income statement - Year 2021

Income statement items (Amounts in €/thousand)		2021	Reclassifications	Reclassified Income Statement 2021
	Net interest income	**17,381**		**17,381**
10.	Interest income and similar revenues	19,533		19,533
20.	Interest expense and similar charges	(2,152)		(2,152)
	Net fee and commission income	**27,842**	**427**	**28,269**
40.	Fee and commission income	31,385	427	31,812
50.	Fee and commission expenses	(3,543)		(3,543)
	Net result from financial activities and dividends	**19,618**	**(61)**	**19,557**
70.	Dividends and similar income	21,405		21,405
80.	Net profit (loss) from trading	(9,640)	(61)	(9,701)
90.	Net profit/(loss) from hedging	(383)		(383)
100.	Profit/(loss) on disposal or repurchase of financial assets measured at amortised cost or fair value through other comprehensive	8,274		8,274
110.	Net result from financial assets of financial assets mandatorily measured at fair value	(38)		(38)
	Other operating income/expenses	**4,331**	**(3,736)**	**595**
230.	Other operating income/expenses	4,331	(3,736)	595
	Total net revenues	**69,172**	**(3,370)**	**65,802**
190. a)	**Personnel expense**	**(28,793)**		**(28,793)**
190. b)	**Other administrative expenses**	**(23,176)**	**5,278**	**(17,898)**
	Value adjustments on intangible assets and property, plant and equipment	**(2,334)**	**-**	**(2,334)**
210.	Net value adjustments/reversals on property, plant and equipment	(1,439)		(1,439)
220.	Net value adjustments/reversals on intangible assets	(895)		(895)
	Total operating expenses	**(54,303)**	**5,278**	**(49,025)**
	Operating income	**14,869**	**1,908**	**16,777**
200.	**Net provisions for risks and charges**	**77**		**77**
130. a)	**Net value adjustments/reversals for credit risk relating to financial assets measured at amortised cost**	**(1,181)**		**(1,181)**
130. b)	**Net value adjustments/reversals on financial assets measured at fair value through other comprehensive income**	**(93)**		**(93)**
270.	**Value adjustments to goodwill**	**(128)**		**(128)**
	Profit (loss) for the year before tax	**13,544**	**1,908**	**15,452**
300.	**Tax on income for the year for continuing operations**	**(4,655)**	**(448)**	**(5,103)**
	Charges relating to the banking system (net of taxes)		**(930)**	**(930)**
190. b)	Administrative expenses		(1,378)	(1,378)
300.	Tax on income for the year for continuing operations		448	448
310.	**Profit (loss) for the year after tax**	**8,889**	**530**	**9,419**
320.	**Total profit (loss) after tax from disposal groups held for sale**	**2,736**	**(530)**	**2,206**
340.	**(Profit)/Loss for the year attributable to non-controlling interests**	**88**		**88**
350.	**Parent company's profit (loss) for the year**	**11,713**	**-**	**11,713**

Reconciliation between the items of the income statement and the reclassified income statement - Year 2020

Income statement items (Amounts in €/thousand)		2020	IFRS 5 reclassifications	Reclassifications	Reclassified Income Statement 2020
	Net interest income	**15,473**	**(1,262)**		**14,211**
10.	Interest income and similar revenues	17,565	(1,692)		15,874
20.	Interest expense and similar charges	(2,092)	430		(1,663)
	Net fee and commission income	**27,033**	**(5,926)**		**21,107**
40.	Fee and commission income	31,141	(7,642)		23,499
50.	Fee and commission expenses	(4,108)	1,716		(2,392)
	Net result from financial activities and dividends	**24,668**	**(2,930)**		**21,738**
70.	Dividends and similar income	16,556			16,556
80.	Net profit (loss) from trading	(4,069)	(1,697)		(5,766)
90.	Net profit/(loss) from hedging	(95)			(95)
100.	Profit/(loss) on disposal or repurchase of financial assets measured at amortised cost or fair value through other comprehensive income	12,280	(1,233)		11,046
110.	Net result from financial assets of financial assets mandatorily measured at fair value	(4)			(4)
	Other operating income/expenses	**4,738**	**(378)**	**(3,629)**	**732**
230.	Other operating income/expenses	4,738	(378)	(3,629)	732
	Total net revenues	**71,912**	**(10,496)**	**(3,629)**	**57,787**
190. a)	**Personnel expense**	**(31,910)**	**7,032**		**(24,878)**
190. b)	**Other administrative expenses**	**(24,488)**	**3,895**	**4,964**	**(15,629)**
	Value adjustments on intangible assets and property, plant and equipment	**(3,028)**	**768**	**-**	**(2,260)**
210.	Net value adjustments/reversals on property, plant and equipment	(1,924)	588		(1,336)
220.	Net value adjustments/reversals on intangible assets	(1,104)	180		(924)
	Total operating expenses	**(59,427)**	**11,696**	**4,964**	**(42,767)**
	Operating income	**12,486**	**1,199**	**1,335**	**15,020**
200.	**Net provisions for risks and charges**	**407**	**(0)**		**407**
130. a)	**Net value adjustments/reversals for credit risk relating to financial assets measured at amortised cost**	**(205)**	**(109)**		**(315)**
130. b)	**Net value adjustments/reversals on financial assets measured at fair value through other comprehensive income**	**(2)**	**19**		**17**
270.	**Value adjustments to goodwill**	**(148)**			**(148)**
	Profit (loss) for the year before tax	**12,537**	**1,109**	**1,335**	**14,981**
300.	**Tax on income for the year for continuing operations**	**(4,239)**	**(73)**	**(434)**	**(4,746)**
	Charges relating to the banking system (net of taxes)			**(901)**	**(901)**
190. b)	Administrative expenses			(1,335)	(1,335)
300.	Tax on income for the year for continuing operations			434	434
310.	**Profit (loss) for the year after tax**	**8,298**	**1,036**	**-**	**9,334**
320.	**Total profit/(loss) after tax from disposal groups held for sale**		**(1,036)**		**(1,036)**
340.	**(Profit) loss for the year attributable to non-controlling interests**	**411**			**411**
350.	**Parent company's profit (loss) for the year**	**8,709**	**-**	**-**	**8,709**

ANNEX PURSUANT TO ARTICLE 149-DUODECIES OF CONSOB REGULATION 11971/99

Disclosure on audit fees and other non-audit services
Annex pursuant to Art. 149-duodecies of CONSOB regulation 11971/99

Type of service (in €/thousand)	Party providing the service	Recipient	Fees (without VAT)
Auditing services	Deloitte & Touche S.p.A.	Banca Profilo S.p.A.	133
Auditing services	Deloitte & Touche S.p.A.	Subsidiaries	27
Release of attestations	Deloitte & Touche S.p.A.	Banca Profilo S.p.A.	91
Release of attestations	Deloitte & Touche S.p.A.	Subsidiaries	2
Total			**253**

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART. 81-TER OF CONSOB REGULATION NO. 11971/99 AND SUBSEQUENT AMENDMENTS AND ADDITIONS

1. The signatories Fabio Candeli, as Chief Executive Officer and Giuseppe Penna, as Manager Responsible for Preparing the Company's Financial Reports of Banca Profilo S.p.A., hereby certify, also in consideration of the provisions of art. 154-*bis*, paragraphs 3 and 4, of Italian Legislative Decree no. 58 dated 24 February 1998:

• the adequacy in relation to the characteristics of the company and

• the effective application of the administrative and accounting procedures for the formation of the consolidated financial statements in 2021.

2. The assessment of the adequacy of the administrative and accounting procedures for the formation of the consolidated financial statements were based on an internal model set in place by Banca Profilo S.p.A. coherent with the *Internal Control – Integrated Framework* issued by the *Committee of Sponsoring Organizations of the Tradeway Commission (CoSo)*, which represents the standard for the internal audit system generally accepted at international level.

3. We also hereby certify that:

3.1 the consolidated financial statements as at 31 December 2021;

a) were drawn up in compliance with the applicable international accounting standards recognised in European Community as per EC Regulation no. 1606/2002 of the European Parliament and Council, dated 19 July 2002;

b) comply with the results of the accounting records and journal entries;

c) are suitable for providing a true and fair view of the balance sheet, income statement and financial situation of the issuer and of all the companies included within the scope of consolidation.

3.2 The report on operations includes a reliable analysis of operating performance and results, as well as the situation of the issuer, and of all of the companies included within the scope of consolidation, together with a description of the main risks and uncertainties to which the same are exposed.

Milan, 17 March 2022

Signed by	Signed by
Chief Executive Officer	***Manager Responsible for Preparing the Company's Financial Reports***
Fabio Candeli	Giuseppe Penna

REPORT OF THE BOARD OF STATUTORY AUDITORS

Report of the Board of Statutory Auditors
to the Shareholders' Meeting of Banca Profilo S.p.A.
pursuant to article 153 of Italian Legislative Decree no. 58/1998

Dear Shareholders,

this report, drawn up pursuant to article 153 of Italian Legislative Decree no. 58/1998 (the “TUF”), reports on the activity carried out by the Board of Statutory Auditors (the “Board”) of Banca Profilo S.p.A. (“Profilo” or the “Bank”) in the financial year ended 31 December 2021, in compliance with the reference legislation, also taking into account the rules of conduct of the Board of Statutory Auditors recommended by the National Council of Chartered Accountants and Accounting Experts and CONSOB communications on corporate controls and the activities of the Board of Statutory Auditors.
The Board of Statutory Auditors, which also performs the functions of a Supervisory Body, was appointed by the shareholders' meeting of 22 April 2021. During the year, the Board changed its composition due to the resignation of the Standing Auditor Prof Andrea Amaduzzi, who was replaced, in accordance with the law and the Articles of Association, by the alternate auditor Ms Maria Sardelli.
In this regard, it is recalled that the next Shareholders' Meeting will have to resolve on the reconstitution of the Board of Statutory Auditors.

1. Supervision of compliance with the law and the Articles of Association

The Board periodically obtained information from the Directors, including through participation in Board meetings, on the activities carried out and on the most significant economic, financial and equity transactions approved and implemented during the year, executed by the Bank and by the Group companies, also pursuant to article 150, paragraph 1, of the TUF.
On the basis of the information acquired, the Board did not become aware of any transactions that do not comply with the law and the Articles of Association, or that are manifestly imprudent, risky, in contrast with the resolutions of the Shareholders' Meeting, or that might compromise the integrity of the corporate assets. In addition, transactions involving a potential conflict of interest were resolved in accordance with the law,

regulatory provisions and Articles of Association, subject to assessment by the Control and Risks Committee, where applicable.
During the year, the Board did not find or receive any information regarding the existence of any atypical and/or unusual third-party, related-party or intra-group transactions.
As regards the specific information regarding the characteristics of the transactions and their economic effects, reference should be made to what has been stated by the directors in the Report on Operations.

Among the significant events of the year, and in view of their relevance in the context of an assessment of the Bank's solidity and development prospects, the Board considers it appropriate to recall the following:
- in line with its investment policies and with the term of the Fund, which ended on 5 March 2022, the Sator Private Equity Fund continued a process, in collaboration with the advisor Lazard and which is still in progress, aimed at increasing the controlling interest held in the Bank;
- on 1 June the Bank completed the disposal of the Swiss subsidiary *Banque Profil de Gestion* SA (BPDG) and of the Luxembourg sub-investee *Dinamic Asset Management* SA.

During the year, the Board of Statutory Auditors met 28 times. The Statutory Auditors attended the one Shareholders' Meeting, the 19 meetings of the Board of Directors, and with their own representative or frequently in joint session, attended the 3 meetings of the Appointments Committee, the 5 meetings of the Remuneration Committee and the 18 meetings of the Control and Risks Committee.

1. Supervision of compliance with the principles of proper administration and the adequacy of the organisational structure

The Board acquired knowledge and continually monitored the adequacy of the organisational structure, compliance with the principles of proper administration, and the adequacy of the instructions given by the Company to its subsidiaries pursuant to article 114, paragraph 2, of the TUF, through the acquisition of information from the heads of the competent corporate functions and meetings with the Independent Auditors as part of the mutual exchange of relevant data and information.

In this regard, on the basis of both direct discussions with the various corporate functions during the periodic meetings, and the evidence that emerged following the checks carried out by the Control Functions, the Board found the Bank's organisational and regulatory structure to be adequate overall.
The Board of Statutory Auditors also maintained a periodic flow of information with the Boards of Statutory Auditors of the parent company and of the subsidiaries to facilitate the exchange of information between the group's control bodies.
No critical issues were reported by the boards of statutory auditors or by the other control bodies of the subsidiaries.

2. Supervision of the internal control and risk management system

The Board supervised the adequacy of the internal control and risk management system, maintaining a continuous dialogue with the Control Functions, promoting and ensuring their coordination both with reference to the planning of activities and, above all, in the process of presenting to the Corporate Bodies the evidence that emerged as a result of the checks carried out.
With regard to line (or first-level) controls, the Board monitored their adequacy by examining the checks carried out by the second and third-level Company Control Functions.
In summary, the Board's activities were carried out through:

- meetings with the Chief Executive Officer to examine the internal control and risk management system;
- continuous meetings and exchanges of information with the heads of the Audit, Compliance & Anti-Money Laundering and Risk Management Functions, in order to evaluate both the work planning, based on the identification and assessment of the main risks present in the processes and organisational units, and its actual implementation during the financial year;
- analysis of all Internal Audit, Compliance & Anti-Money Laundering and Risk Management reports;
- examination of the *Tableau de bord* of the Control Functions and of the reports on the results of the monitoring and on the implementation of the corrective actions identified;
- examination of the annual reports and plans of the Company Control Functions;
- periodic acquisition of information from the heads of business functions;
- discussion of the results of the independent auditor's

work;
- participation in the meetings of the Control and Risks, Appointments and Remuneration Committees;
- acknowledgement of the contents of the Corporate Governance Report regarding the adequacy and effective functioning of the internal control system.

The Board acknowledges that the Annual Reports of the Control Functions conclude with an overall adequate opinion on the internal control structure. This opinion was shared by the Board of Directors which in this regard was also guided by a specific investigation conducted by the Control and Risks Committee.

With regard to business continuity and IT risk, the Board examined the "Summary report on the IT risk situation" prepared in accordance with the requirements of Bank of Italy Circular no. 285/2013. With regard to IT risk, the annual analysis did not highlight any significant issues.

In consideration of the fact that the Board of Statutory Auditors also performs the functions of the Supervisory Body pursuant to Italian Legislative Decree no. 231/2001, it supervised the updating of the Organisation, Management and Control Model adopted by the Company pursuant to Italian Legislative Decree no. 231/01, made necessary in order to implement the regulatory changes and organisational changes that have occurred. In this regard, the Supervisory Body however pointed out the need to take action on the document with a risk assessment activity to better identify sensitive areas. In any case, it should be noted that its operation and compliance was monitored continuously and promptly, and that there are no observations to report in this regard.

On the basis of the activity performed, the information acquired and the content of the Reports of the Control Functions, the Board believes that there are no critical elements such as to affect the structure of the internal control and risk management system.

1. Supervision of the administrative accounting system and the financial reporting process

The Board, in its capacity as Internal Control and Audit Committee, also following the organisational changes made, monitored the process and checked the effectiveness of the internal control and risk management systems as regards financial reporting.

Financial reporting is managed by the Manager responsible for preparing the corporate accounting documents ("Financial Reporting Officer"), adopting models that refer to best market practice and that provide reasonable assurance on the reliability of financial reporting, on the effectiveness and efficiency of operating activities, and on compliance with laws and internal regulations. The processes and controls are periodically reviewed and updated where necessary.

The control of the correct functioning of the model to oversee compliance with Italian Law no. 262/2005 is guaranteed by a series of checks carried out by the Bank's Internal Audit and Administration Functions.

The Board periodically met with the Financial Reporting Officer to exchange information on the administrative accounting system and its reliability for the purposes of correctly representing management events. The Board also examined the declarations of the Chief Executive Officer and the Financial Reporting Officer pursuant to the provisions contained in article 154-*bis*of the TUF and met with the Internal Audit Function to verify the results of the activity carried out in this regard.

In light of the activity carried out, the Board has no evidence of shortcomings that could invalidate the judgement of adequacy and effective application of the administrative accounting procedures, for the purpose of the correct economic, equity and financial representation of the operations.

During the year, the independent auditors did not report any critical issues to the Board such as to affect the adequacy of the internal control system inherent to the administrative and accounting procedures.

It should be noted that, in accordance with the provisions of Delegated Regulation (EU) 2019/815 (hereinafter "ESEF Regulation"), the Annual Financial Report has been prepared in the new European Single Electronic Format (ESEF), which is a combination of HTML and XBRL (eXtensible Business Reporting Language) *markups*. Furthermore, the information contained in the Consolidated Financial Statements has been mapped according to the "Inline XBRL" specifications contained in the basic taxonomy issued by ESMA.

2. Supervision of transactions with related parties

The Board monitored the compliance of the Procedure for Related-Party Transactions with current legislation and its correct application. The Board participated in the meetings of the Control and Risks Committee, which was responsible, in compliance with the provisions in force from time to time on the matter and the provisions of the internal regulations in this regard, for assessing the Bank's interest in carrying out material or immaterial related-party transactions, as well as whether the relative terms and conditions were beneficial and substantively fair.
The Board periodically received information relating to the operations carried out. The Board also received the report containing the summary of the transactions with Related Parties exempt from the application of the procedures carried out in the 2021 financial year.
The Board of Statutory Auditors is not aware of any intra-group and related-party transactions that were carried out in conflict with the interest of the Company and/or at non-market conditions.

The Board verified that the Board of Directors has provided adequate information on transactions with Related Parties in the Report on Operations and in the notes to the financial statements, taking into account the provisions of the current regulations.

Taking into account also the results of the activities carried out by the various functions involved in the Procedure for Related-Party Transactions, the Board considers the transactions with related parties to have been adequately supervised.

3. Procedures for implementing the corporate governance rules

The Bank has adopted a new regulation of the Board of Directors and of the Committees, acknowledging the principles set out in the new Corporate Governance Code promoted by Borsa Italiana in the terms illustrated in the "Report on Corporate Governance and Ownership Structures".

In compliance with the provisions of the Corporate Governance Code, the Board verified the correct application of the assessment criteria and procedures adopted by the Board of Directors to assess the independence of its members on the basis of the criteria established by law and by said

Corporate Governance Code.

The Board also carried out the self-assessment of the independence of its members, at the end of which it confirmed the existence of the requisites required by law and the Corporate Governance Code; it is also acknowledged that no Statutory Auditor had an interest, on their own behalf or on behalf of third parties, in any transaction of the Company during the year 2021.
During 2021, the Board carried out the self-assessment process aimed at gathering the opinions of the members both on the functioning and on the composition of the Board. The results, the assessments carried out and the conclusive indications were discussed collectively, recorded and reported to the Board of Directors.

The members of the Board of Statutory Auditors complied with the limit on the number of offices held envisaged by article 144-*terdecies* of the CONSOB Issuers' Regulation and by the Ministry of Economy and Finance Decree no. 169/2020.

4. Supervision of the statutory auditing activities

In accordance with the provisions of article 19 of Italian Legislative Decree no. 39/2010, the Board carried out the prescribed supervisory activity on the work of the independent auditing firm Deloitte & Touche S.p.A.

The Board met periodically with the independent auditors for the planned exchange of information. In these meetings, the auditors never highlighted facts deemed reprehensible or irregularities such as to require reporting pursuant to article 155, paragraph 2, of the TUF.

On 6 April 2022, the independent auditors released, pursuant to article 14 of Italian Legislative Decree no. 39/2010 and article 10 of Regulation (EU) no. 537/2014, the Audit Reports on the separate and consolidated financial statements as at 31 December 2021.

With regard to the judgements and certifications, Deloitte & Touche, in the Audit Report and Opinion on the Financial Statements has:

- issued an opinion from which it appears that the separate and consolidated financial statements of Banca Profilo provide a true and fair view of the financial position of the Bank as at 31 December 2021, of the financial performance and of the cash flows for the year ended on that date in accordance with the International Financial Reporting Standards adopted by the European Union, as well as the provisions issued in implementation of Article 9 of Italian Legislative Decree no. 38/05 and article 43 of Italian Legislative Decree no. 136/15;

- issued a consistency opinion indicating that the Report on Operations accompanying the separate financial statements and the consolidated financial statements as at 31 December 2021 and some specific information contained in the "Report on Corporate Governance and Ownership Structures" indicated in article 123- bis, paragraph 4, of the TUF, the responsibility for which lies with the Bank's directors, have been prepared in compliance with the law;
- declared, with regard to any significant errors in the Report on Operations, based on the knowledge and understanding of the company and the relative context acquired during the audit activity, that it has nothing to report;
- issued an opinion on the compliance of the consolidated and separate financial statements with the provisions of Delegated Regulation (EU) 2019/815;
- declared that the consolidated financial statements and the separate financial statements have been prepared in XHTML format and that the consolidated financial statements have been marked up, in all significant aspects, in compliance with the provisions of Delegated Regulation (EU) 2019/815.

On 6 April 2022, the Independent Auditors also presented to the Board, in its capacity as "Internal Control and Audit Committee", the Additional Report required by article 11 of Regulation (EU) no. 537/2014, which reveals no significant deficiencies in the internal control system in relation to the financial reporting process worthy of being brought to the attention of those responsible for governance. The Board will inform the Company's Board of Directors about the contents of the Additional Report, accompanied by any observations, pursuant to article 19 of Italian Legislative Decree no. 39/2010.

The Independent Auditors also presented the declaration relating to independence to the Board of Statutory Auditors, as required by article 6 of Regulation (EU) no. 537/2014, from which no situations arise that could compromise its independence. Finally, the Board took note of the Transparency Report prepared by the independent auditors published on its website pursuant to article 18 of Italian Legislative Decree no. 39/2010.

During the 2021 financial year, the Independent Auditors received, directly or through other companies belonging to its network, the following additional assignments in addition to the one concerning the auditing activity:

- the issue of the opinion of the independent auditors pursuant to article 2433-bis, paragraph 5, of the Italian Civil Code regarding the distribution of an interim dividend for financial year 2021 by Banca Profilo S.p.A.;
- the carrying out of some agreed verification procedures on customer census documents in compliance with US QI and Foreign Account Tax Compliance Act (FATCA) regulations and on summary statements of US-source income collected on behalf of customers.

Taking into account the absence of further assignments conferred on it and its network by Banca Profilo and by the investee companies, the Board does not consider there to be any critical aspects regarding the independence of the Independent Auditors.

1. Omissions or reprehensible facts, opinions rendered and further activities of the Board of Statutory Auditors

The Board is not aware of any facts, complaints pursuant to article 2408 of the Italian Civil Code or claims to report to the Shareholders' Meeting.

The Board has issued the opinions required by current legislation.

In the course of the activity carried out and on the basis of the information obtained, no omissions, reprehensible facts, irregularities or in any case significant circumstances were found such as to require reporting to the Supervisory Authorities or mentioning in this Report.

The Board has taken note of the preparation of the Annual Report on the 2022 Remuneration Policy and on the remuneration paid in relation to the 2021 financial year, pursuant to Article 123-ter of the TUF and has no particular observations to report.

2. Conclusions

Not having the responsibility for the legal control of the accounts, with reference to the Separate Financial Statements and the Consolidated Financial Statements, the Board of Statutory Auditors has verified its general compliance with the rules governing their formation and structure.
The Board has also verified, to the extent of its competence, the substantial correspondence with the facts and information of which it has become aware following the performance of its duties. In this regard, the Board has no particular observations to report.

In the Report on Operations and the Explanatory Notes to the Financial Statements, the Directors describe the main risk factors and uncertainties that could affect the future scenarios in which the Group will operate and to which it is exposed. It was also pointed out that these impacts were incorporated in the formulation of the assumptions underlying the assessments made, and that the information and sensitivity analyses provided with reference to the main items of the financial statements subject to estimate are capable of reflecting the impacts related to the elements of uncertainty assumed at the date of preparation of this Financial Report.

Taking into account the specific duties of the Independent Auditors in terms of accounting control and verifying the reliability of the financial statements, the Board has no observations to make to the Shareholders' Meeting, pursuant to article 153 of the TUF, regarding the approval of the financial statements as at 31 December 2021 accompanied by the Report on Operations as presented by the Board of Directors, the proposal for the allocation of the profit for the year and the distribution of dividends according to the timescales and the methods proposed by the Company's Board of Directors.

Milan, 6 April 2022

On behalf of the Board of Statutory Auditors

The Chairman
Signed by Nicola Stabile

INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
Banca Profilo S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Banca Profilo S.p.A. and its subsidiaries ("Banca Profilo Group" or the "Group"), which comprise the Consolidated Balance Sheet as at December 31, 2021, and the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the year then ended, and Notes to the Consolidated Financial Statements.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and to art. 43 of Italian Legislative Decree no. 136/15.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Banca Profilo S.p.A. (the "Bank") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Disposal and deconsolidation of Banque Profil de Gestion SA

Description of the key audit matter	On 1st June 2021, following the obtainment of the authorisation from the Swiss Financial Market Supervisory Authority (FINMA), the closing of the transaction was finalised, which in one respect envisaged the purchase by Banque Profil de Gestion SA (BPDG) of 100% of the capital of One Swiss Bank (OSB) and at the same time, the disposal by Banca Profilo of all the shares held in BPDG to the current shareholders of OSB. The transaction price, amounting to CHF 31.8 million, was settled in cash for CHF 31.2 million, equal to Euro 28.9 million, net of the indemnities paid by Banca Profilo to cover specific costs or potential risks. With the completion of the aforementioned transaction, the conditions required by IFRS 10 for the deconsolidation from the Group's statement of financial position of the assets and liabilities relating to BPdG, previously recognised as assets and liabilities held for sale, were met. As a result, a profit from discontinued operations after tax of Euro 2.3 million was recognised in the Consolidated Income Statement, including the loss realised by BPdG up to the date on which the Group retained control, and the gain related to the sale, as required by IFRS 5. The Notes on the Consolidated Financial Statements - Part C - Information on the Consolidated Income Statement, Section 22 - Profit (Loss) from discontinued operations after tax and the Consolidated Report on Operations - Significant Events - Sale of the investment in Banque Profil de Gestion provide information on the above-mentioned aspects. Considering the peculiarity of the related accounting entries and the significance of the related economic and financial effects, we considered the disposal and the consequent deconsolidation of Banque de Profil de Gestion SA a key audit matter in the audit of the Group's consolidated financial statements as at December 31, 2021.
Audit procedures performed	The main procedures carried out as part of our audit work, have included, among the other, the following: • understanding, through obtaining and analysing relevant documentation, as well as with interviews with the Bank's Management, of the process of completing the BPdG sale transaction; • verification of the existence of the necessary conditions for the deconsolidation of the assets and liabilities relating to BPdG; • verification of the accounting entries made by the Bank in compliance with the applicable accounting standards;

- verification of the completeness and compliance of the disclosure provided in the consolidated financial statements with the requirements of the applicable accounting standards.

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

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and to art. 43 of Italian Legislative Decree no. 136/15, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of Banca Profilo S.p.A. or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

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

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

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Banca Profilo S.p.A. has appointed us on April 27, 2017 as auditors of the Bank for the years from from December 31, 2017 to December 31, 2025 .

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Bank in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion on the compliance with the provisions of the Delegated Regulation (EU) 2019/815

The Directors of Banca Profilo S.p.A. are responsible for the application of the provisions of the European Commission Delegated Regulation (EU) 2019/815 with regard to the regulatory technical standards on the specification of the single electronic reporting format (ESEF - European Single Electronic Format) (hereinafter referred to as the "Delegated Regulation") to the consolidated financial statements, to be included in the annual financial report.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 700B in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements have been prepared in XHTML format and have been marked up, in all material respects, in accordance with the provisions of the Delegated Regulation.

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Banca Profilo S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of Banca Profilo Group as at December 31, 2021, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98, with the consolidated financial statements of Banca Profilo Group as at December 31, 2021 and on their compliance with the law, as well as to make a statement about any material misstatement.
In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of Banca Profilo Group as at December 31, 2021 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Antonio Zecca
Partner

Milan, Italy
April 6, 2022

As disclosed by the Directors at the bottom of the "Contents" section, the accompanying consolidated financial statements of Banca Profilo S.p.A. constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

BANCA PROFILO SEPARATE FINANCIAL STATEMENTS

Separate Report on Operations

Operating performance summary

Banca Profilo closed 2021 with a **net profit for the year** of € 16.5 million, up by € 3.4 million (+25.5%) compared to € 13.1 million as at 31 December 2020.

From an income point of view, Banca Profilo closed with net revenues of € 69.9 million, up by € 8.2 million (+13.4%) compared to € 61.6 million as at 31 December 2020.

The **net interest income**, equal to € 17.6 million, recorded an increase of € 3.3 million (+22.8%) year on year. The increase is mainly linked to the greater contribution deriving from the banking book and from the new loans guaranteed by the state, an activity launched in the last year.

Net fee and commission income at 31 December 2021 amounted to € 27.1 million, up by € 7.0 million compared to € 20.1 million at 31 December 2020 (+35.0%), thanks to the increase in all items, both of a recurring nature due to the increase in assets under management and in consultancy, and of a transactional nature thanks to the resumption of the placement of club deals and investment banking activities.

The **net result of financial activities and dividends** amounted to € 24.6 million, down by € 1.9 million compared to 2020 (-7.3%) mainly due to the trading book recording lower realisations offset in part by higher dividends (including those received in the second quarter of 2021 by the Swiss subsidiary for € 4.4 million and by the subsidiary Profilo Real Estate for € 0.7 million) in the twelve months in 2021.

The balance of **other operating income and expenses,** equal to € 0.5 million, is down by 18.1% compared to 2020.

Operating expenses amounted to € 49.4 million, an increase of € 6.2 million compared with the figure at 31 December 2020 (+14.4%). Personnel expenses, amounting to € 28.2 million, increased by € 3.9 million (+16.1%) compared to € 24.3 million at 31 December 2020. The increase is mainly attributable to the greater provision relating to the 2021 variable components and to the new resources entered during the year. **Other administrative expenses**, net of the recovery of stamp duty charged to Customers, and of the charges aimed at maintaining the stability of the banking system (Resolution Funds and Interbank Deposit Protection Fund) reclassified in a specific item, increased to € 17.4 million, compared to € 15.1 million in 2020 (+14.7%). The increase is mainly attributable to the higher costs associated with the Bank's digitisation plan, in relation to the IT migration project of the Finance platform, the digitisation of the private banking processes, the development of digital channels, as well as advertising costs. Value adjustments on fixed assets amounted to € 3.9 million and were in line with those of the previous year of € 3.8 million.

Operating income came to € 20.5 million, an increase of € 2.1 million (+10.9%) compared to € 18.4 million at 31 December 2020, equivalent to a cost income ratio of 70.7%, which compares with 70.1% in 2020.[6]
The net allocations **to the provision for risks and charges** are positive for € 97 thousand and refer to the re-allocation to the Income Statement of provisions made in previous years, following the resolution, with a positive outcome for the Bank, of disputes outstanding at the end of 2020, together with the net effect recognised in the impairment of guarantees and commitments**.** The value at 31 December 2020 amounted to a positive € 407 thousand.

Net adjustments and reversals of financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income amounted to € 1.3 million of net adjustments. In the year 2021 there were net adjustments of € 1,298 thousand on limited impaired credit positions, € 88 thousand on the securities portfolio and net reversals of € 117 thousand on performing loans.

The **value adjustments of goodwill** at 31 December 2021 amounted to € 128 thousand, down on the previous year figure of € 148 thousand (-13.7%) and refer to the goodwill deriving from the acquisition of the "lending and custody" business unit and asset management in the financial years 2003 and 2004.

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[6]Cost income = total operating expenses/total net revenues

The **profit from the sale of equity investments**, equal to € 2.9 million, represents the profit from the sale of BPdG recorded in the individual financial statements, net of the indemnities paid to the purchasing counterparty.

Taxes for the year, net of those calculated on charges aimed at maintaining the stability of the banking system reclassified in a specific item, amounted to € 4.7 million.

The item **charges relating to the banking system** includes contributions aimed at maintaining the stability of the banking system (Resolution Funds and Interbank Deposit Protection Fund) shown net of taxes and is equal to € 0.9 million, substantially unchanged from last year's figure. The amount mainly consists of the ordinary and additional contributions to the Single Resolution Fund for the year 2021, equal to € 1.2 million before taxes.

The Bank's balance sheet as at 31 December 2021 showed **Total assets** of € 1,670.8 million compared with € 1,582.1 million as at 31 December 2020 (+5.6%). **Shareholders' equity** amounted to € 162.2 million compared with € 169.2 million at the end of 2020 (-4.1%).

For more information on the main significant events that occurred during the year, please refer to the Significant Events section in the Report on Operations of the Consolidated Financial Statements.

Commentary on the Balance Sheet Figures

The following tables provide figures with comments on the main balance sheet items as at 31 December 2021 of Banca Profilo, compared with the figures for the year ended 31 December 2020. The figures in the following tables are expressed in thousands of euro.

Main balance sheet figures

(€/thousand)	31/12/2021	31/12/2020	Changes	
			Absolute	%
Financial assets measured at fair value through profit and loss	380,091	409,668	-29,577	-7.2
Financial assets measured at fair value through other comprehensive income	221,623	193,589	28,034	14.5
Financial assets measured at amortised cost - Loans and advances to banks	67,896	99,578	-31,682	-31.8
Financial assets measured at amortised cost - Loans and advances to customers	902,340	697,529	204,811	29.4
Hedging derivatives	1,444	405	1,039	256.5
Total Assets	**1,670,778**	**1,582,101**	**88,677**	**5.6**
Financial liabilities measured at amortised cost - Deposits from banks	337,622	267,959	69,663	26.0
Financial liabilities measured at amortised cost - Deposits from customers	986,966	960,956	26,010	2.7
Financial liabilities held for trading	97,313	110,536	-13,223	-12.0
Hedging derivatives	52,399	32,693	19,706	60.3
Shareholders' equity	**162,239**	**169,175**	**-6,936**	**-4.1**

Assets

Total assets amounted to € 1,670.8 million, up by € 88.7 million compared to 31 December 2020 (+5.6%).

Financial assets increased during the year by € 172.6 million (+12.3%).

Financial assets

(€/thousand)	31/12/2021	31/12/2020	Changes	
			Absolute	%
Financial assets measured at fair value through profit and loss	**380,091**	**409,668**	**-29,577**	**-7.2**
Financial assets held for trading	380,091	409,629	-29,538	-7.2
Other financial assets mandatorily measured at fair value	0	38	-38	-100.0
Financial assets measured at fair value through other comprehensive income	**221,623**	**193,589**	**28,034**	**14.5**
Financial assets measured at amortised cost	**970,236**	**797,107**	**173,129**	**21.7**
Loans and advances to banks	67,896	99,578	-31,682	-31.8
Loans and advances to customers	902,340	697,529	204,811	29.4
Hedging derivatives	**1,444**	**405**	**1,039**	**256.5**
Total	**1,573,394**	**1,400,769**	**172,625**	**12.3**

Financial assets measured at fair value through profit and loss include: a) debt and equity securities held for short-term trading; b) derivative financial instruments held for trading purposes. At 31 December 2021 they totalled € 380.1 million. Compared to 31 December 2020, the item decreased by € 29.6 million (-7.2%).

Financial assets measured at fair value through other **comprehensive income** increased by € 28.0 million during the year (+14.5%), from € 193.6 million at 31 December 2020 to € 221.6 million at 31 December 2021.

The portfolio of financial assets measured at amortised cost at 31 December 2021 amounted to € 970.2 million and included both loans and advances to banks and loans and advances to customers. The sub-item loans and advances to banks showed a decrease of € 31.7 million (-31.8%). Below is a summary by type.

Loans and advances to banks

(€/thousand)	31/12/2021	31/12/2020	Changes	
			Absolute	%
Time deposits	6,768	6,966	-198	-2.8
Reverse repurchase agreements	12,465	36,526	-24,061	-65.9
Other loans	39,364	39,701	-337	-0.8
HTC securities	9,300	16,385	-7,086	-43.2
Loans and advances to banks	**67,896**	**99,578**	**-31,682**	**-31.8**

Within the aggregate, the greatest decrease relates to the balance of **repurchase agreements** which went from € 36.5 million at 31 December 2020 to € 12.5 million at 31 December 2021 (-65.9%). HTC securities dropped by € 7.1 million, reaching € 9.3 million from € 16.4 million at 31 December 2020, while maturity deposits and "other loans" remain substantially in line with previous year figures.

Loans and advances to customers amounted to € 902.3 million at 31 December 2021, up by € 204.8 million (+29.4%) compared with 31 December 2020.

Loans and advances to customers

(€/thousand)	31/12/2021	31/12/2020	Changes	
			Absolute	%
Current accounts	250,862	237,021	13,842	5.8
Mortgages	89,761	51,436	38,324	74.5
Other receivables and loans	1,390	888	502	56.5
Interest-bearing loans and advances to customers	**342,013**	**289,345**	**52,668**	**18.2**
Non-performing assets	5,683	930	4,753	511.0
Total loans and advances to customers	**347,696**	**290,275**	**57,421**	**19.8**
HTC securities	347,489	294,636	52,853	17.9
Deposits to guarantee transactions in derivatives, repurchase agreements, other transactions	207,155	112,617	94,538	83.9
Other loans and advances to customers	**554,644**	**407,254**	**147,391**	**36.2**
Loans and advances to customers	**902,340**	**697,529**	**204,812**	**29.4**

Interest-bearing loans and advances to customers increased by € 52.7 million (+18.2%). The balance of current accounts rose by € 13.9 million (+5.8%) from € 237.0 million at 31 December 2020 to € 250.9 million at 31 December 2021; the amount of mortgages, equal to € 89.8 million, increased by € 38.3 million compared to € 51.4 million at 31 December 2020 and "other receivables and loans" increased by € 0.5 million from € 0.9 million at 31 December 2020 to € 1.4 million at 31 December 2021. Net impaired assets, amounting to € 5.7 million at 31 December 2021, showed an increase of € 4.8 million compared to € 0.9 million at 31 December 2020, following reclassifications to unlikely to pay, attributable to a limited number of credit positions.

Equity investments at 31 December 2021 refer to the subsidiaries recorded at acquisition cost net of any impairment losses.

Equity investments

Company name (€/thousand)	Registered office	Total assets	Shareholders' equity (1)	Profit (loss) for the year	Type of relationship (2)	Shareholding relationship	
						Investing company	%
A. Companies consolidated line-by-line							
1. Profilo Real Estate S.r.l.	Milan	48,001	26,349	613	1	Banca Profilo S.p.A.	100.00
2. Arepo Fiduciaria S.r.l.	Milan	2,662	540	207	1	Banca Profilo S.p.A.	100.00

Key
(1) Including the result for the year.
(2) Type of relationship
1 = majority of voting rights at ordinary shareholders' meetings

The aggregate of **tax assets** amounted to € 3.4 million at 31 December 2021, an increase of 11.7% compared to 31 December 2020, and is made up of current tax assets for € 0.7 million and tax assets advance payments amounting to € 2.7 million. These deferred tax assets refer to deductible temporary differences, such as the tax effects on the valuation of securities measured at fair value through other comprehensive income, and those relating to the tax deductibility of write-downs on receivables made in previous years. There are no deferred tax assets on previous tax losses, fully absorbed in 2020, confirming the checks carried out in past years regarding the probability of future recovery of these tax assets. With reference to other deferred tax assets, as regards those recognised against the valuation of the securities portfolio measured at fair value through other comprehensive income, recovery by maintaining possession of the securities is considered reasonable. The increase recorded during the year on the aggregate of tax assets, equal to € 359 thousand, is mainly attributable to current taxes for € 257 thousand following the payment of the IRES/IRAP advances, while the increase in deferred tax assets it is equal to € 102 thousand, linked to the performance of the valuation reserve of HTCS securities.

Liabilities

Deposits from banks stood at € 337.6 million at 31 December 2021, up by € 69.6 million from € 268.0 million at 31 December 2020. The change is due to the combined effect of a significant increase in repurchase transactions for € 165.8 million, reaching € 231.7 million at 31 December 2021 (+251.7%), partially offset by the € 86.4 million reduction in loans with the ECB (-49.1%) following some repayments made during the year, current accounts for € 5.1 million (-40.6%), and other payables (-€ 4.7 million euros, equal to a reduction of 34.5%).

Deposits from customers at 31 December 2021 amounted to € 987.0 million, up by € 26.0 million (+2.7%) compared with € 961 million at 31 December 2020.

Customer funding

(€/thousand)	31/12/2021	31/12/2020	Changes	
			Absolute	%
Current accounts	638,645	683,817	-45,172	-6.6
Repurchase agreements and other loans	307,967	251,329	56,638	22.5
Lease liabilities	11,044	13,078	-2,034	-15.6
Other payables	29,309	12,732	16,578	130.2
Deposits from customers	**986,966**	**960,956**	**26,010**	**2.7**
Certificates issued	4,898	0	4,898	100.0
Customer funding	**991,864**	**960,956**	**30,908**	**3.2**

The increase is mainly attributable to the net effect of the increase in repurchase agreements, which went from € 251.3 million at 31 December 2020 to € 308.0 million at 31 December 2021 (+22.5%) and other payables of € 16.6 million at 31 December 2021 (+130.2%), as well as the decrease in current accounts, which went from € 683.8 million at 31 December 2020 to € 638.6 million at 31 December 2021, and lease payables down by € 2.0 million due to the payments made during the year. The overall figure for customer funding also incorporates the fair value of the certificates issued by the Bank, equal to € 4.9 million at 31 December 2021, classified under financial liabilities held for trading.

Financial liabilities held for trading, which include the balance of negative valuations of derivative trading transactions, in addition to the balance of "technical overdrafts" and the fair value of certificates issued by the Bank, decreased by € 13.2 million, reaching € 97.3 million at 31 December 2021 compared to € 110.5 million at 31 December 2020 (-12.0%).

Hedging derivatives had a negative valuation of € 52.4 million at 31 December 2021, up by € 19.7 million from the € 32.7 million at 31 December 2020, and are used to hedge the interest rate risk on securities in the portfolio of financial assets at fair value through other comprehensive income and in the Held to Collect portfolio.

Other liabilities at 31 December 2021 amounted to € 29.3 million, down by € 7.2 million (-19.7%) compared to € 36.5 million at 31 December 2020. The item includes other entries to be settled with banks and customers that settled after 31 December 2021.

Shareholders' equity at 31 December 2021, including the profit for the year of **€ 16.5 million**, amounted to € 162.2 million. The decrease of € 6.9 million compared to the € 169.2 million at 31 December 2020 (-4.1%) is attributable to the dividends distributed for € 22.3 million in April and November 2021 (this last on account of the profit formed in 2021), partially offset by the total profit for the year equal to € 14.7 million, of which € 16.5 million due to the profit in the Income Statement and negative € 1.7 million from the movements in valuation reserves linked to the portfolio of financial assets measured at fair value through other comprehensive income.

The share capital of Banca Profilo amounts to € 137.0 million, fully paid up and consists of 677,997,856 ordinary shares with no nominal value, of which 23,406,391 are held by Banca Profilo.

The composition of shareholders' equity is summarised in the following table:

Shareholders' equity

(€/thousand)	31/12/2021	31/12/2020	Changes	
			Absolute	%
Share capital	136,994	136,994	0	0.0
Share premium	82	82	0	0.5
Reserves	23,010	21,255	1,755	8.3
Valuation reserves	1,799	3,519	-1,720	-48.9
Treasury shares	(5,634)	(5,787)	153	-2.6
Interim dividends	(10,472)	0	-10,472	n.s.
Profit/(loss) for the year	16,460	13,112	3,348	25.5
Shareholders' equity	**162,239**	**169,175**	**-6,936**	**-4.1**

At 31 December 2021, the CET 1 Capital Ratio of Banca Profilo is equal to 26.3% and does not consider the profit for the year 2021 and consequently the related "interim dividend on the current year profits" paid in November 2021.

Below are the tables of the Own Funds and the table relating to the capital adequacy of the Bank and its subsidiaries as at 31 December 2021 determined on the basis of the regulatory standards required for banking supervision.

Own funds

On 1 January 2014, the new regulatory standards for banking supervision (Basel III), as defined by the Basel Committee, came into force. These new standards are contained in Regulation (EU) no. 575/2013 (CRR) and in Directive 2013/36/EU (CRD IV) of 26 June 2013. In order to make these provisions applicable, the Bank of Italy introduced two regulatory measures to adapt internal regulations to the new international regulatory framework (Circular 285 and Circular 286 of December 2013).
In addition, from 1 January 2018 IFRS9 "Financial Instruments" replaces the provisions of IAS 39 "Financial Instruments: Recognition and Measurement". In this regard, with reference to the impact on regulatory own funds, the Banca Profilo Banking Group has opted to adhere to the transitional regime provided for by Regulation (EU) no. 2017/2395 amending the CRR.

1. Common Equity Tier 1 (CET1)
a) **positive elements**: equity instruments and related share premiums, retained earnings, other components of the income statement and other reserves;
b) **negative elements**: losses for the current year, intangible assets with specific rules for deduction, core tier 1 capital instruments held that the bank is required to purchase, deferred tax assets that are based on future profitability and do not result from temporary differences.

2. Additional Tier 1 (AT1).
a) **positive elements**: equity instruments and related share premiums which do not represent elements of CET1 and which comply with certain conditions set out in the Regulation (Article 52 of the CRR);
b) **negative elements**: additional Tier 1 instruments held that the bank is required to purchase under an existing contractual obligation, additional Tier 1 instruments issued by financial sector entities under certain conditions as set out in Article 56 of the CRR.

3. Common Equity Tier 2 (T2).
a) **positive elements**: equity instruments and subordinated loans with related share premiums under the conditions set out in Art. 63 of the CRR, adjustments for general credit risk before tax up to 1.25% of risk-weighted exposure amounts;
b) **negative elements**: own Tier 2 instruments held by the institution, the Tier 2 instruments of financial sector entities as referred to in article 66 of the CRR.

Own funds

(€/thousand)	Total 31/12/2021	Total 31/12/2020
A. Common Equity Tier 1 (CET1) before application of prudential filters	156,251	155,437
of which CET1 instruments subject to transitional provisions		
B. CET1 prudential filters (+/-)	(692)	(724)
C. CET1 gross of items to be deducted and transitional regime effects (A+/-B)	155,559	154,713
D. Items to be deducted from CET1	(11,102)	(10,181)
E. Transitional regime - Impact on CET1 (+/-)	471	699
F. Total Common Equity Tier 1 (CET1) (C - D +/- E)	144,928	145,231
G. Additional Tier 1 capital (AT1) gross of the items before deductions and the effects of the transitional regime		
of which AT1 instruments subject to transitional provisions		
H. Items to be deducted from AT1		
I. Transitional regime - Impact on AT1 (+/-)		
L. Total Additional Tier 1 (AT1) - (G - H +/- I)		
M. Tier 2 (T2) gross of items to be deducted and the effects of the transitional regime		
of which T2 instruments subject to transitional provisions		
N. Items to be deducted from T2		
O. Transitional regime - Impact on T2 (+/-)		
P. Total Tier 2 (T2) (M - N +/- O)		
Q. Total own funds (F + L + P)	**144,928**	**145,231**

Capital adequacy

Categories/Values (€/thousand)	Non weighted amounts		Weighted amounts/Requirements	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
A. RISK ASSETS				
A.1 CREDIT AND COUNTERPARTY RISK	**975,351**	**959,060**	**248,749**	**330,346**
1. Standardised approach	975,351	959,060	248,749	330,346
2. IRB approach				
2.1. Basis				
2.2. Advanced				
3. Securitisations				
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 CREDIT AND COUNTERPARTY RISK			**19,900**	**26,428**
B.2 CREDIT VALUATION ADJUSTMENT RISK			688	401
B.3 REGULATION RISK				
B.4 MARKET RISK			**14,914**	**12,927**
1. Standardised approach			14,914	12,927
2. IRB approach				
3. Concentration risk				
B.5 OPERATIONAL RISK			**8,575**	**7,449**
1. Basic approach			8,575	7,449
2. Standardised approach				
3. Advanced approach				
B.6 OTHER CALCULATION ELEMENTS				
B.7 TOTAL CAPITAL REQUIREMENTS			**44,077**	**47,204**
C. RISK ASSETS AND CAPITAL RATIOS				
C.1 Risk-weighted assets			550,966	590,053
C.2 Common Equity Tier 1/Risk-Weighted Assets (CET1 capital ratio)			**26.30%**	24.60%
C.3 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)			**26.30%**	24.60%
C.4 Total own funds/Risk-weighted assets (Total capital ratio)			26.30%	24.60%

Commentary on Economic Results

ITEMS (amounts in €/thousand)	2021	2020	Changes	
			Absolute	%
Net interest income (1)	17,617	14,342	3,275	22.8
Net fee and commission income (2)	27,086	20,059	7,027	35.0
Net result from financial activities and dividends (3)	24,638	26,572	-1,934	-7.3
Other operating income/expense (4)	539	659	-120	-18.2
Total net revenues	**69,880**	**61,632**	**8,248**	**13.4**
Personnel expense	(28,189)	(24,280)	-3,909	16.1
Other administrative expenses (5)	(17,367)	(15,144)	-2,223	14.7
Value adjustments on intangible assets and property, plant and equipment	(3,865)	(3,762)	-103	2.7
Total operating expenses	**(49,421)**	**(43,186)**	**-6,235**	**14.4**
Operating income	**20,459**	**18,446**	**2,013**	**10.9**
Net provisions for risks and charges	97	407	-310	-76.2
Net value adjustments/reversals for credit risk relating to financial assets measured at amortised cost	(1,175)	(316)	-859	271.8
Net value adjustments/reversals on financial assets measured at fair value through other comprehensive income	(93)	17	-110	0.0
Value adjustments to goodwill	(128)	(148)	20	-13.5
Profit/(loss) on disposal of equity investments (6)	2,881	-	2,881	100.0
Profit/(loss) for the year before tax	**22,041**	**18,406**	**3,635**	**19.7**
Tax on income for the year for continuing operations (7)	(4,651)	(4,393)	-258	5.9
Charges relating to the banking system (net of taxes) (8)	(930)	(901)	-29	3.2
Profit for the year after tax	**16,460**	**13,112**	**3,348**	**25.5**

(1) coincides with item 10. Interest Income and 20. Interest Expense (Bank of Italy Circular 262).
(2) includes Items 40. Fee and commission income and 50. Fee and commission expense in the mandatory annual financial statements (Bank of Italy Circular 262). From a management perspective, the item "Fee and commission income" shows the portion of the profitability of the product that remunerates the placement activity carried out by the Bank for the issue of its Certificates, included in accounting item 80 "Net result from financial activities" for an amount of € 61 thousand. The item also discounts commission reimbursements of € 0.4 million reclassified from the operational point of view under the item "other operating income and expenses".
(3) includes Items 70. Dividends and similar income, 80. Net profit/(loss) from trading, 90. Net profit/(loss) from hedging, 100. Profit/(loss) from disposal/repurchase and 110. Net profit/(loss) from other financial assets and liabilities measured at fair value through profit and loss in the mandatory annual financial statements (Bank of Italy Circular 262). The item discounts the portion of the profitability of the product that remunerates the placement activity carried out by the Bank for the issue of its Certificates, for an amount of € 61 thousand, reclassified on a management basis to "Net fee and commission income".
(4) coincides with Item 200. Other operating expenses/income (Bank of Italy Circular 262) included under Operating expenses in the mandatory annual financial statements, net of the recovery of stamp duty payable by Customers (for € 4.3 million) and the imbalance of income and expenses deriving from the Tinaba/Banca Profilo partnership agreement (net expenses of € 0.4 million), reclassified from an operational point of view under the item "Other administrative expenses", as well as net of the indemnities paid to the buyers of Banque Profil de Gestion (expenses of € 0.5 million) reclassified from an operational point of view under the item "Profit/(Loss) from discontinued operations after tax". This item also includes commission reimbursement for € 0.4 million from the management item "net fee and commission income".
(5) includes item 160 b) Other administrative expenses shown net of the recovery of stamp duty charged to customers (for € 4.3 million) and Gross charges relating to the banking system (for € 1.4 million), the latter reclassified for management purposes under the item "Charges relating to the banking system net of taxes". This item also includes the imbalance of income and expenses deriving from the Tinaba/Banca Profilo partnership agreement (net expenses of € 0.4 million) deriving from the management item "Other operating income (expenses)".
(6) includes the result from the sale of Banque Profil de Gestion, equal to €3.4 million, classified under item 220. Gains/(Losses) on equity investments of the mandatory financial statements (Bank of Italy Circular 262), net of the indemnities paid to the acquiring counterparty, equal to € 0.5 million, classified in the accounts under item 200. Other operating income/expense.
(7) coincides with Item 270. "Income taxes for the year of current operations" of the mandatory annual financial statements (Bank of Italy Circular 262), net of the tax effect on Charges relating to the banking system (for € 0.4 million) reclassified for management purposes under the item "Charges relating to the banking system (net of taxes)".
(8) includes charges aimed at maintaining the stability of the banking system (for € 1.4 million) classified in the accounts under item 160 b). Other administrative expenses and shown net of the tax effect (for € 0.4 million) accounted for under item 270. Tax on income for the year for continuing operations.

Net interest income

Net interest income, equal to € 17.6 million, recorded an increase of € 3.3 million (+22.8%) year on year. The increase is mainly linked to the greater contribution deriving from the banking book and from the new loans guaranteed by the state, an activity launched in the last year.

Net interest income

(€/thousand)	2021	2020	Changes	
			Absolute	%
Interest income and similar revenues	19,844	16,098	3,746	23.3
Interest expense and similar charges	(2,227)	(1,756)	-471	26.8
Net interest income	**17,617**	**14,343**	**3,275**	**22.8**

Interest income went from € 16.1 million at 31 December 2020 to € 19.8 million at 31 December 2021, an increase of € 3.7 million (23.3%). The increase is attributable to both the higher contribution of the banking book and the new commitments guaranteed by the state.

Interest expense, amounting to € 2.2 million, increased by € 0.4 million (+26.8%) compared to € 1.8 million at 31 December 2020. The increase is mainly due to the differentials relating to hedging transactions, negative for € 271 thousand in 2021.

Other net revenues

Other net revenues at 31 December 2021 amounted to € 69.9 million, up by € 22.6 million compared to € 47.3 million at 31 December 2020 (+47.8%). The main components of the aggregate are detailed and commented on in the table below.

Other net revenues

(€/thousand)	2021	2020	Changes	
			Absolute	%
Fee and commission income	30,627	22,450	8,177	36.4
Fee and commission expenses	(3,541)	(2,391)	-1,150	48.1
Net fee and commission income	**27,086**	**20,059**	**7,027**	**35.0**
Net result from financial activities and dividends	24,638	26,572	-1,934	-7.3
Other operating income/expenses	539	659	-120	-18.1
Total Other Net Revenues	**69,880**	**47,290**	**22,590**	**47.8**

Net fee and commission income at 31 December 2021 amounted to € 27.1 million, up by € 7.0 million compared to € 20.1 million at 31 December 2020 (+35.0%), thanks to the increase in all items, both of a recurring nature due to the increase in assets under management and in consultancy, and of a transactional nature thanks to the resumption of the placement of club deals and investment banking activities.

The **net result of financial activities and dividends** amounted to € 24.6 million, down by € 1.9 million compared to 2020 (-7.3%) mainly due to the trading book recording lower realisations offset in part by higher dividends (including those received in the second quarter of 2021 by the Swiss subsidiary for € 4.4 million and by the subsidiary Profilo Real Estate for € 0.7 million) in the twelve months in 2021.

The balance of **other operating income and expenses,** equal to € 0.5 million, is down by 18.1% compared to 2020.

Operating expenses

Operating expenses amounted to € 49.4 million, an increase of € 6.2 million compared with the figure at 31 December 2020 (+14.4%).

Operating expenses and operating income

(€/thousand)	2021	2020	Changes	
			Absolute	%
Personnel expense	(28,189)	(24,280)	-3,909	16.1
Other administrative expenses	(17,367)	(15,144)	-2,223	14.7
Net value adjustments on property, plant and equipment and intangible assets	(3,865)	(3,762)	-103	2.7
Operating expenses	**(49,421)**	**(43,186)**	**-6,235**	**14.4**
Operating income	**20,459**	**18,446**	**2,013**	**10.9**

Within the aggregate, **Personnel expense**, amounting to € 28.2 million, increased by € 3.9 million (+16.1%) compared to € 24.3 million at 31 December 2020. The increase is mainly attributable to the greater provision relating to the 2021 variable components and to the new resources entered during the year.

Other administrative expenses, net of the recovery of stamp duty charged to Customers, and of the charges aimed at maintaining the stability of the banking system (Resolution Funds and Interbank Deposit Protection Fund) reclassified in a specific item, increased to € 17.4 million, compared to € 15.1 million in 2020 (+14.7%). The increase is mainly attributable to the higher costs associated with the Bank's digitisation plan, in relation to the IT migration project of the Finance platform, the digitisation of the private banking processes, the development of digital channels, as well as advertising costs.

Value adjustments on fixed assets amounted to € 3.9 million and were in line with those of the previous year of € 3.8 million.

Operating income came to € 20.5 million, an increase of € 2.1 million (+10.9%) compared to € 18.4 million at 31 December 2020, equivalent to a cost income ratio of 70.7%, which compares with 70.1% in 2020.[7]

Provisions and adjustments

Total provisions and adjustments amounted to € 1.3 million in costs at 31 December 2021, up from € 41 thousand at 31 December 2020.

Profit/(loss) for the year before tax

(€/thousand)	2021	2020	Changes	
			Absolute	%
Net provisions for risks and charges	97	407	-310	-76.2
Net value adjustments/reversals for credit risk relating to financial assets measured at amortised cost	(1,175)	(316)	-859	271.4
Net value adjustments/reversals on financial assets measured at fair value through other comprehensive income	(93)	17	-110	n.s.
Value adjustments to goodwill	(128)	(148)	20	-13.7
Total provisions and adjustments	**(1,299)**	**(41)**	**-1,258**	**3084,9**
Profit/(loss) on disposal of equity investments	2,881	-	2,881	100
Current profit before tax	**22,041**	**18,405**	**3,636**	**19.8**

The **net allocations to the provisions for risks and charges** are positive for € 97 thousand and refer to the re-allocation to the Income Statement of provisions made in previous years, following the definition, with a positive outcome for the Bank, of disputes outstanding at the end of 2020, together with the net effect recognised in the impairment of guarantees and commitments**.** The value at 31 December 2020 amounted to a positive € 407 thousand.

Net adjustments and reversals of financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income amounted to € 1.3 million of net

[7]Cost income = total operating expenses/total net revenues

adjustments. In the year 2021, there were net adjustments of € 1,298 thousand on impaired credit positions, €88 thousand on the securities portfolio and net reversals of € 117 thousand on performing loans.

The **value adjustments of goodwill** at 31 December 2021 amounted to € 128 thousand, down on the previous year figure of € 148 thousand (-13.7%) and refer to the goodwill deriving from the acquisition of the "lending and custody" business unit and asset management in the financial years 2003 and 2004.

The **profit from the sale of equity investments**, equal to € 2.9 million, represents the profit from the sale of BPdG recorded in the individual financial statements, net of the indemnities paid to the purchasing counterparty.

Profit for the year

Taxes for the year, net of those calculated on charges aimed at maintaining the stability of the banking system reclassified in a specific item, amounted to € 4.7 million. Gross of this reclassification, the tax rate is 21.1%. The item **charges relating to the banking system** includes contributions aimed at maintaining the stability of the banking system (Resolution Funds and Interbank Deposit Protection Fund) shown net of taxes and is equal to € 0.9 million, substantially unchanged from last year's figure. The amount mainly consists of the ordinary and additional contributions to the Single Resolution Fund for the year 2021, equal to € 1.2 million before taxes.

Profit for the year

(€/thousand)	2021	2020	Changes	
			Absolute	%
Tax on income for the year for continuing operations	(4,651)	(4,393)	-259	5.9
Charges relating to the banking system (net of taxes)	(930)	(901)	-29	3.2
Parent company's net profit for the year	**16,460**	**13,112**	**3,348**	**25.5**

Banca Profilo closed the year 2021 with **net profit** of **€ 16.5 million** compared with € 13.1 million at 31 December 2020.

Other Relevant Information

The Bank qualifies as a Small and Medium-Sized Enterprise (SME) pursuant to and for the purposes of Consob Resolution no. 20621 of 10 October 2018 implementing Article 1, paragraph 1, letter w-quater.1) of Italian Legislative Decree no. 58/98 (TUF).

This Report on the Financial Statements of Banca Profilo S.p.A. only contains comments on the Bank's operating performance. For all other information required by current legal requirements, please refer to the Consolidated Report on Operations, which is an integral part of this document, or to the Notes to the Separate Financial Statements.

In particular, reference should be made to the Consolidated Report on Operations with regard to the management and coordination activities of Arepo BP S.p.A. pursuant to articles 2497 et seq. of the Italian Civil Code, to which Banca Profilo and its subsidiaries under Italian law are subject, for which reference should be made to the "Other Relevant Information" section.

A number of transactions with related parties (RP) were carried out during the year. Part H provides a summary statement of the Bank's economic and financial transactions as at 31 December 2021 with investee companies and other related parties.

Finally, pursuant to Article 123- bis of the TUF relating to the Corporate Governance system, please refer to the specific document "**Report on corporate governance and ownership structures**" approved and published, together with these financial statements, in the Corporate Governance section of the Bank's website at the following address: www.bancaprofilo.it.

Equity investments held by Directors, Statutory Auditors and Key Management Personnel in Banca Profilo and its subsidiaries

Equity investments held directly or indirectly in Banca Profilo S.p.A. and its subsidiaries, in compliance with the provisions of Consob Regulation 11971, are reported in the Remuneration Report published on the Bank's website within the time limits and in the manner prescribed by law. Part H of the Notes provides information on the remuneration paid to members of the Board of Directors, the Board of Statutory Auditors, the General Manager and Key Management Personnel.

Other market information

Certification pursuant to Art. 2.6.2 of the Italian Stock Exchange Regulations, with regard to the adjustment to the conditions set out in Art. 15 of the Market Regulations

Until 1 June 2021, Banca Profilo was the parent company of a company based in a non-EU country (Banque Profil de Gestion SA), which was of significant importance pursuant to article 36 of the Consob Market Regulations. In consideration of this circumstance, Banca Profilo has set up a specific procedure which ensures compliance with the provisions of the aforementioned discipline on the subject of controls and information flows between the non-EU subsidiary and the Italian listed company. With the disposal of the entire equity investment held in Banque Profil de Gestion SA with effect from 1 June 2021, the Bank is no longer the parent company of companies based in a country that does not belong to the European Union.

Certification pursuant to Article 2.6.2. of the Stock Exchange Regulations regarding the existence of the conditions set out in Article 16 of the Consob Market Regulations

Banca Profilo S.p.A. is subject to the management and coordination of the parent company Arepo BP S.p.A. pursuant to Art. 2497 et seq. of the Italian Civil Code.

With reference to the provisions of Article 16 of the Consob Market Regulations, the conditions set out in paragraph 1, letters a), b), c) and d) for maintaining the listing have been met. With particular reference to paragraph 1 letter d) of the Consob Market Regulations, it should be noted that Banca Profilo has set up internal board committees, composed exclusively of Independent Directors. In particular, the Bank has set up the Control and Risk Committee, the Remuneration Committee and the Appointments Committee.

Disclosure on the purchase/sale of treasury shares

During the year, the Bank completed the plan to purchase treasury shares as authorised by the Shareholders' Meeting of 23 April 2020 aimed at supporting exchanges, already started in 2020 with purchases of 6,658,305 shares using a third-party intermediary (Equita SIM S.p.A.). As part of this activity, 2,746,695 shares equal to 0.41% of the share capital were purchased during the first months of 2021, thus reaching the maximum payment authorised by the aforementioned Shareholders' meeting of € 2 million. Further movements of treasury shares were made as part of the implementation of the shareholding plans in favour of the Bank's employees.

In addition to the treasury shares deriving from the execution of the aforementioned resolution, 14,001,391 treasury shares remain in Banca Profilo's portfolio, in relation to previous authorisations from the shareholders' meeting. Therefore, at 31 December 2021, the Bank holds 23,406,391 treasury shares, equal to 3.45% of the share capital.

Proposal for allocation of profits

Dear Shareholders,

Having regard to the 2021 Annual Financial Report, the Board of Directors proposes that you:

I) approve the financial statements for the year ended 31 December 2021, as a whole and in the individual items that it is comprised of, as well as the Report on Operations for that year.

II) allocate the **net profit for the year**, equal to **€ 16,459,766** as follows:

- **€ 1,645,977** to the **Legal Reserve**;
- **€ 14,401,012** to **Shareholders by way of a Dividend** at the rate of **€ 0.022 per share**, gross of withholding taxes, if applicable, of which **€ 0.016 per share already distributed as an advance** in November 2021 by Banca Profilo S.p.A. and of **€ 0.006 per share** as the residual dividend that will be distributed as specified below. The dividend was calculated on a total of 677,997,856 shares making up the company's share capital, net of the **23,406,391** treasury shares held as at 28 April 2022;
- the **residual amount** of **€ 412,777** to **Other Reserves**.

III) to **distribute € 5,891,323** to **Shareholders as an Extraordinary Dividend** at the rate of € 0.009 **per share**, gross of withholding taxes, if applicable, **from the reserves** generated with the profits of previous years which will be distributed as specified below.

Should the number of treasury shares change by the date of call of Banca Profilo's Ordinary Shareholders' Meeting, this proposal for the allocation of profits and reserves will be suitably reformulated.

IV) to **pay the total dividend of € 0.015 per share on 4 May 2022 (of which € 0.006 per share on the profits for the year 2021 and € 0.009 per share as an extraordinary dividend on the reserves of profits from previous years)**, with detachment of coupon no. 23 on 2 May 2022, according to the results of the accounts at the end of the accounting day of 3 May 2022 (record date for the dividend).

Milan, 17 March 2022

The Board of Directors

SEPARATE FINANCIAL STATEMENTS

Separate Balance Sheet

(Amounts in €)

Assets		31/12/2021	31/12/2020*
10.	Cash and cash equivalents	24,727,162	81,924,596
20.	Financial assets measured at fair value through profit and loss	380,091,462	409,667,794
	a) financial assets held for trading	380,091,462	409,629,449
	c) other financial assets mandatorily measured at fair value	-	38,345
30.	Financial assets measured at fair value through other comprehensive income	221,622,713	193,589,013
40.	Financial assets measured at amortised cost	970,235,854	797,107,283
	a) loans and advances to banks	67,896,238	99,578,357
	b) loans and advances to customers	902,339,616	697,528,926
50.	Hedging derivatives	1,443,688	405,413
70.	Equity investments	25,394,644	25,394,644
80.	Property, plant and equipment	11,977,739	14,346,629
90.	Intangible assets	4,471,649	3,224,106
	of which:		
	- goodwill	908,682	1,036,548
100.	Tax assets	3,418,789	3,060,105
	a) current	742,926	486,384
	b) deferred	2,675,863	2,573,721
110.	Non-current assets and disposal groups held for sale	-	26,053,390
120.	Other assets	27,394,513	27,327,843
	Total Assets	**1,670,778,213**	**1,582,100,816**

*the figures as at 31 December 2020 have been restated in the light of the 7th update of Circular no. 262 of the Bank of Italy

Liabilities and Shareholders' equity		31/12/2021	31/12/2020
10.	Financial liabilities measured at amortised cost	1,324,587,539	1,228,914,944
	a) deposits from banks	337,621,897	267,959,273
	b) deposits from due to customers	986,965,642	960,955,671
20.	Financial liabilities held for trading	97,313,333	110,536,447
40.	Hedging derivatives	52,398,475	32,693,165
60.	Tax liabilities	2,326,513	2,295,509
	a) current	1,097,769	781,718
	b) deferred	1,228,744	1,513,791
80.	Other liabilities	29,315,908	36,488,858
90.	Employee severance indemnity	1,402,380	1,610,177
100.	Provisions for risks and charges	1,194,768	386,559
	a) commitments and guarantees issued	19,768	56,559
	c) other provisions for risks and charges	1,175,000	330,000
110.	Valuation reserves	1,799,179	3,519,413
140.	Reserves	23,010,130	21,255,062
145	Interim dividends	(10,471,855)	-
150.	Share premium	81,558	81,558
160.	Share capital	136,994,028	136,994,028
170.	Treasury shares (-)	(5,633,509)	(5,786,832)
180.	Profit (Loss) for the year (+/-)	16,459,766	13,111,928
	Total Liabilities and Shareholders' Equity	**1,670,778,213**	**1,582,100,816**

Separate Income Statement
(Amounts in €)

Items	2021	2020
10. Interest income and similar revenues	19,843,820	16,098,589
of which: interest income calculated using the effective interest rate method	16,226,631	13,071,038
20. Interest expense and similar charges	(2,226,661)	(1,756,109)
30. Net interest income	**17,617,159**	**14,342,480**
40. Fee and commission income	30,200,715	22,449,999
50. Fee and commission expenses	(3,541,374)	(2,390,788)
60. Net fee and commission income	**26,659,341**	**20,059,211**
70. Dividends and similar income	22,120,539	21,390,822
80. Net profit (loss) from trading	(9,639,780)	(5,765,880)
90. Net profit (loss) from hedging	(383,341)	(94,596)
100. Income (loss) from disposal or repurchase of:	8,273,539	11,046,308
a) financial assets measured at amortised cost	3,554,508	3,027,590
b) financial assets measured at fair value through other comprehensive income	4,719,031	8,018,718
110. Net profit (loss) from other financial assets and liabilities measured at fair value through profit and loss	(38,345)	(4,261)
b) other financial assets mandatorily measured at fair value	(38,345)	(4,261)
120. **Intermediation margin**	**64,609,112**	**60,974,084**
130. Net value adjustments/reversals for credit risk on:	(1,267,757)	(299,811)
a) financial assets measured at amortised cost	(1,174,623)	(316,336)
b) financial assets measured at fair value through other comprehensive income	(93,134)	16,525
150. **Net result from financial activities**	**63,341,355**	**60,674,273**
160. Administrative expenses:	(50,833,753)	(44,388,315)
a) personnel expense	(28,188,756)	(24,280,173)
b) other administrative expenses	(22,644,997)	(20,108,142)
170. Net provisions for risks and charges	96,791	407,421
a) commitments and guarantees issued	36,791	(50,397)
b) other net provisions	60,000	457,818
180. Net value adjustments/reversals on property, plant and equipment	(2,970,013)	(2,838,017)
190. Net value adjustments/reversals on intangible assets	(894,720)	(924,135)
200. Other operating income/expenses	4,274,850	4,287,600
210. **Operating expenses**	**(50,326,845)**	**(43,455,446)**
220. Profits/(Losses) on equity investments.	3,410,427	-
240. Value adjustments to goodwill	(127,866)	(148,395)
260. **Profit/(loss) before tax from continuing operations**	**16,297,071**	**17,070,432**
270. Tax on income for the year for continuing operations	(4,022,326)	(3,958,504)
280. **Profit/(loss) after tax from continuing operations**	**12,274,745**	**13,111,928**
290. Profit/(loss) from discontinued operations after tax	4,185,021	-
300. Profit/(loss) for the year	**16,459,766**	**13,111,928**
Basic earnings per share - on current operations	**0.019**	**0.020**
Basic earnings per share - on discontinued operations	**0.006**	**-**
Diluted earnings per share - on current operations	**0.019**	**0.020**
Diluted earnings per share - on discontinued operations	**0.006**	**-**

Separate Statement of Comprehensive Income

(Amounts in €)

Items	2021	2020
10. Profit/(loss) for the year	**16,459,766**	**13,111,928**
Other comprehensive income after tax without reversal to Income Statement	**(1,208,231)**	**2,432,281**
20. Equity securities measured at fair value through other comprehensive income	(1,214,280)	2,463,114
70. Defined benefit plans	6,049	(30,833)
Other comprehensive income after tax with reversal to Income Statement	**(512,002)**	**3,297,278**
140. Financial assets (other than equity securities) measured at fair value through other comprehensive income	(512,002)	3,297,278
170. Total other comprehensive income after tax	**(1,720,233)**	**5,729,560**
180. Comprehensive income (Item 10+170)	**14,739,533**	**18,841,488**

Separate Statement of Changes in Equity

(Amounts in €)

Statement of Changes in Equity - 2021

	Outstanding as at 31.12.2020	Restatement of opening balances	Outstanding as at 01.01.2021	Allocation of previous year's result		Changes during the year								Comprehensive income for 2021	Shareholders' equity as at 31.12.2021
							Transactions on shareholders' equity								
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Interim dividends	Extraordinary dividend distribution	Changes in equity instruments	Derivatives on treasury shares	Stock options		
Share capital															
a) ordinary shares	136,994,028		136,994,028												136,994,028
b) other shares															
Share premium	81,558		81,558												81,558
Reserves															
a) profit	21,255,062		21,255,062	1,338,555		416,512									23,010,129
b) other															
Valuation reserves	*3,519,413*		*3,519,413*											(1,720,233)	1,799,180
Equity instruments															
Interim dividends									(10,471,855)						(10,471,855)
Treasury shares	(5,786,832)		(5,786,832)			773,235		(619,912)							(5,633,509)
Profit/(loss) for the year	13,111,928		13,111,928	(1,338,555)	(11,773,373)									16,459,766	16,459,766
Shareholders' equity	**169,175,157**		**169,175,157**		**(11,773,373)**	**1,189,747**		**(619,912)**	**(10,471,855)**					**14,739,533**	**162,239,297**

Statement of Changes in Equity - 2020

	Outstanding as at 31.12.2019	Restatement of opening balances	Outstanding as at 01.01.2020	Allocation of previous year's result		Changes during the year							Comprehensive income for 2020	Shareholders' equity as at 31.12.2020
							Transactions on shareholders' equity							
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary dividend distribution	Changes in equity instruments	Derivatives on treasury shares	Stock options		
Share capital														
a) ordinary shares	136,994,028		136,994,028											136,994,028
b) other shares														
Share premium	81,558		*81,558*											*81,558*
Reserves														
a) profit	14,605,118		14,605,118	6,726,350		(76,406)								21,255,062
b) other														
Valuation reserves	*(2,210,147)*		*(2,210,147)*										*5,729,560*	*3,519,413*
Equity instruments														
Treasury shares	*(3,602,559)*		*(3,602,559)*			*258,006*		(2,442,279)						*(5,786,832)*
Profit/(loss) for the year	*6,726,350*		*6,726,350*	*(6,726,350)*									*13,111,928*	*13,111,928*
Shareholders' equity	**152,594,348**		**152,594,348**	**0**		**181,600**		**(2,442,279)**					**18,841,488**	**169,175,157**

Separate Cash Flow Statement (indirect method)

(amounts in €)	2021	2020*
A. OPERATING ACTIVITIES		
1. Cash flows from operations	**58,592,564**	**6,844,558**
- profit/(loss) for the year (+/-)	16,459,766	13,111,929
- net result of the merged companies (+/-)	0	0
- capital gains/losses on financial assets held for trading and other financial assets/liabilities at fair value through profit and loss (-/+)	13,063,516	(11,028,957)
- capital gains/losses on hedging operations (-/+)	13,064,366	(8,107,364)
- net value adjustments/reversals for credit risk (+/-)	1,267,757	448,206
- net value adjustments/reversals on property, plant and equipment and intangible assets (+/-)	3,864,733	3,762,152
- net provisions for risks and charges and other costs/revenues (+/-)	6,811,755	4,695,829
- outstanding taxes, duties and tax credit (+/-)	4,022,326	3,958,503
- net value adjustments/reversals on discontinued operations net of tax effect (+/-)	0	0
- other adjustments (+/-)	38,345	4,260
2. Cash flows from (used in) financial assets	**(202,075,920)**	**350,359,863**
- financial assets held for trading	16,474,471	133,302,783
- financial assets designated at fair value	0	0
- other financial assets mandatorily measured at fair value	0	0
- financial assets measured at fair value through other comprehensive income	(29,847,068)	76,420,311
- financial assets measured at amortised cost	(174,303,194)	135,842,499
- other assets	(14,400,129)	4,794,270
3. Cash flows from (used in) financial liabilities	**137,509,247**	**(331,255,465)**
- financial liabilities measured at amortised cost	95,134,583	(314,786,223)
- financial liabilities held for trading	(13,223,114)	(18,378,179)
- financial liabilities designated at fair value	0	0
- other liabilities	55,597,778	1,908,938
Cash flows from (used in) operating activities	**(5,974,109)**	**25,948,957**
B. INVESTMENT ACTIVITIES		
1. Cash flows from	**(26,024,945)**	**0**
- sales of equity investments	(26,024,945)	0
- collected dividends on equity investments	0	0
- sales of property, plant and equipment	0	0
- sales of intangible assets	0	0
- sales of subsidiaries and business units	0	0
2. Cash flows used in	**(2,333,240)**	**(2,178,759)**
- purchases of equity investments	0	0
- purchases of property, plant and equipment	(63,111)	(920,891)
- purchases of intangible assets	(2,270,129)	(1,257,868)
- purchases of subsidiaries and business units	0	0
Cash flows from (used in) investment activities	**(28,358,185)**	**(2,178,759)**
C. FUNDING ACTIVITIES		
- issue/purchase of treasury shares	(619,912)	(2,442,279)
- issue/purchase of equity instruments	0	0
- dividend distribution and other purposes	(22,245,228)	0
Net cash flows from (used in) funding activities	**(22,865,140)**	**(2,442,279)**
NET CASH FLOWS GENERATED (USED IN) IN THE YEAR	**(57,197,434)**	**21,327,920**

Reconciliation	31/12/2021	31/12/2020
Cash and cash equivalents at the beginning of the year	81,924,596	60,596,677
Net cash flows generated (used in) in the year	-57.197.434	21,327,920
Cash and cash equivalents at the end of the year	**24,727,162**	**81,924,597**

*the figures as at 31 December 2020 have been restated in the light of the 7th update of Circular no. 262 of the Bank of Italy

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

PART A – Accounting policies

A.1- GENERAL CRITERIA

Section 1 - Statement of compliance with international accounting standards

The financial statements of Banca Profilo have been prepared in accordance with IAS/IFRS accounting standards issued by the International Accounting Standards Board (IASB) and the relative interpretations of the International Financial Reporting Committee (IFRIC), approved by the European Commission and in force as at 31 December 2021, implemented in our system by Italian Legislative Decree no. 38 of 28 February 2005, which exercised the option provided for by Regulation (EC) no. 1606/2002 on international accounting standards.[8] The application of the IAS/IFRS was carried out with reference also to the "systematic framework for the preparation and presentation of the financial statements" (the "Framework"), with particular reference to the fundamental principle concerning the prevalence of substance over form, as well as to the concept of the relevance and significance of information. The financial statements have also been prepared in accordance with the provisions of the Bank of Italy in circular no. 262 of 22 December 2005 and subsequent updates.[9]

Section 2 - General preparation principles

The Financial Statements consist of the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and the notes, and is accompanied by the Directors' report on operations, financial results achieved and the Bank's financial situation.

In compliance with the provisions of Art. 5(2) of Italian Legislative Decree no. 38 of 28 February 2005, the financial statements have been prepared using the euro as the accounting currency. In particular, in line with the instructions issued by the Bank of Italy, the figures shown in the financial statements are expressed in units of Euros, while those in the explanatory notes are expressed in thousands of Euros.

In order to take account of the changes that have occurred in the provisions of the Italian Civil Code regarding financial statements following the entry into force of the reform of company law (Italian Legislative Decree no. 6 of 17 January 2003 and delegated measures under Law no. 366 of 3 October 2001), the information in the Notes, unless otherwise provided for by the special regulations of the Bank of Italy, has been suitably and consistently supplemented.

The Report on Operations and the Notes provide the information required by international accounting standards, the law, the Bank of Italy and the National Commission for Companies and the Stock Exchange (Commissione Nazionale per le Società e la Borsa - Consob), as well as other information that is not mandatory but considered equally necessary for a correct and truthful representation of the Bank's assets and liabilities, financial position and results of operations.

With particular reference to the financial statements and the Notes, pursuant to Art. 9 of Italian Legislative Decree no. 38 of 28 February 2005, the Bank has applied the provisions of Bank of Italy Circular no. 262 of 22 December 2005 and subsequent updates, integrating information where required by international accounting standards or deemed appropriate in terms of materiality or significance.

For the purposes of preparing these Financial Statements, consideration has also been taken, where applicable, of interpretative and supporting documents on the application of the accounting principles issued by the European regulatory and supervisory bodies and standard setters in relation to the resulting impacts from COVID-19, integrating the accounting information.

The financial statements are drawn up with a view to business continuity and in compliance with the principles of economic competence and the consistency of presentation of company events over time. Offsets between assets and liabilities and between costs and revenues are made only if required or permitted by a Standard or an Interpretation thereof. The general principles

[8] These standards, as well as the related interpretations, are applied according to the occurrence of events regulated by them from the date of their mandatory application, unless otherwise specified.

[9] In particular, reference is made to the 7th update of 29 October 2021, as well as to the communication of 21 December 2021 containing updates to the additions to the provisions of Circular 262 concerning the impacts of COVID-19 and the measures to support the economy, and amendments to the IAS/IFRS.

adopted in the preparation of the financial statements, which are the same as those applied for the financial statements of the previous year, are illustrated below.

a) Going concern

The financial statements have been prepared on a going concern basis; assets, liabilities and 'off-balance sheet' transactions have been measured at operating values. In accordance with the provisions of the joint Bank of Italy/Consob/Isvap Document no. 2 of 6 February 2009 concerning disclosure on a going concern basis and in compliance with the requirements of IAS 1 revised for the same subject, the Directors did not identify any uncertainties that could give rise to doubts about the company's ability to continue as a going concern in the foreseeable future and consequently prepared these financial statements on a going concern basis. Indeed, having acknowledged that the emergence of the COVID-19 pandemic has had negative effects on the real economy which are expected to be mitigated by the measures to support the production system and households implemented by Governments, in light of the results achieved by the Bank during the year, which were better than budgeted and which already took into consideration the potential impacts of the Covid-19 pandemic, and taking these circumstances into account in assessing the significant items in the financial statements, the Directors believe that there are no significant conditions of uncertainty such as to compromise the prospects of continuity in the foreseeable future. Furthermore, the main regulatory indicators at 31 December 2021 were also taken into account at the basis of this assessment, which were well above the regulatory limits, both with reference to the capital thresholds and in terms of liquidity indicators. Consequently, Banca Profilo's individual Financial Statements have been prepared with a view to business continuity.

b) Accrual basis of accounting

Costs and revenues are recognised, irrespective of the time of their monetary settlement, according to the principles of economic accrual and correlation.

c) Consistency of presentation

The presentation and classification of the items are maintained constant over time in order to guarantee the comparability of the information, unless their change is required by an international accounting standard or an interpretation, or it renders the presentation of their values more appropriate, in terms of significance and reliability. If the presentation or classification criteria are changed, the new criterion, where possible, applies retroactively. In such an event, the nature and reason for the change are specified together with the items affected. The presentation and classification of items are based on the formats prepared by the Bank of Italy in Circular no. 262 of 22 December 2005 and subsequent updates "Banking financial statements: formats and rules for preparation".

d) Materiality and aggregation

Each material class of similar items is disclosed separately in the financial statements. Items of a dissimilar nature or purpose are presented separately.

e) No offsetting

Financial assets and liabilities, and costs and revenues are not offset against each other, unless required or permitted by an international accounting standard or an interpretation or by the formats produced by the Bank of Italy for the financial statements of banks.

Notes for a correct comparison of the comparative financial statements and comparative information

Following the publication of the 7th update of Circular no. 262 of the Bank of Italy, the on sight receivables with banking counterparties were reclassified from item 40.A "Financial assets measured at amortised cost – Loans and advances to banks" of the Balance Sheet Assets to item 10 "Cash and cash equivalents" of the Balance Sheet assets. Likewise, the aforementioned update has modified the presentation of some information of a quantitative nature in parts B, C, and E of the Explanatory Notes. For the purposes of preparing these Separate Financial Statements, the comparative data relating to the 2020 financial year, for the tables modified by this update, have been restated with respect to the published 2020 Financial Statements.

IAS/IFRS accounting standards and SIC/IFRS interpretations entered into force as at 1 January 2021

Starting from 1 January 2021, the following new IFRS accounting standards, amendments, and interpretations came into force:

- Amendment "**COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)**" (published on 31 March 2021). The amendment extends by one year the period of application of the amendment issued in 2020, which provided lessees the right to account for the reductions in rents related to COVID-19 without having to assess, through the analysis of the contracts, whether the definition of lease modification in IFRS 16 was met. Therefore, the lessees who applied this option in the 2020 financial year recognised the effects of the reductions in rent directly in the income statement at the effective date of the reduction. The 2021 amendment, available only to entities that have already adopted the 2020 amendment, is effective as of 1 April 2021 and early adoption is allowed.

- Amendment "**Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)**" (published on 25 June 2020). The amendment makes it possible to extend the temporary exemption from applying IFRS 9 until 1 January 2023 for insurance companies.
- "**Interest Rate Benchmark Reform — Phase 2**" document (published on 27 August 2020). In light of the reform on interbank interest rates, the document contains amendments to the following standards:
  - IFRS 9 - Financial Instruments;
  - IAS 39 - Financial Instruments: Recognition and Measurement;
  - IFRS 7 - Financial Instruments: Disclosures;
  - IFRS 4 - Insurance Contracts; and
  - IFRS 16 - Leases.

Given the Bank's operations, the entry into force of the above documents has not had a significant effect.

At 31 December 2021, the following IFRS and IFRIC accounting standards, amendments and interpretations were issued and approved by the European Union, applicable from 1 January 2022 or later, and not adopted early by the Bank for the purposes of these Separate Financial Statements:

- Amendment "**Amendments to IFRS 3 Business Combinations**" (published on 14 May 2020). The amendments are intended to update the reference in IFRS 3 to the Conceptual Framework in the revised version, without this entailing changes to the provisions of the standard;
- Amendment "**Amendments to IAS 16 Property, Plant and Equipment**" (published on 14 May 2020). The purpose of the amendments is to disallow the deduction from the cost of property, plant and equipment of the amount received from the sale of goods produced in the test phase of the business. These sales revenues and the related costs will therefore be recognised in the income statement;
- Amendment "**Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets**" (published on 14 May 2020). The amendment clarifies that all costs directly attributable to an agreement must be considered in the estimate of the possible cost of an agreement. Consequently, the assessment as to whether a contract is onerous includes not only the incremental costs (such as, for example, the cost of the direct material used in the processing), but also all costs that the company cannot avoid because it has entered into the agreement (such as, for example, the share of the depreciation of the machinery used for the fulfilment of the agreement);
- "**Annual Improvements 2018-2020**" documents the amendments made to IFRS 1 First-time Adoption of International Financial Reporting Standards, to IFRS 9 Financial Instruments, to IAS 41 Agriculture and to the Illustrative Examples of IFRS 16 Leases.

All changes will take effect on 1 January 2022. The directors do not expect the adoption of these amendments to have any significant impact on the financial statements.

- **IFRS 17 - Insurance Contracts** (issued on 18 May 2017) intended to replace IFRS 4 - Insurance Contracts. The objective of the new standard is to ensure that an entity provides relevant information that faithfully represents the rights and obligations arising from insurance contracts issued. The IASB developed the standard to eliminate inconsistencies and weaknesses in existing accounting policies, providing a single principle-based framework to take account of all types of insurance contracts, including reinsurance contracts that an insurer holds. The new standard also includes presentation and disclosure requirements to improve comparability between entities in this segment. The new standard measures an insurance contract based on a General Model or a simplified version of this, called the Premium Allocation Approach ("PAA"). The standard applies from 1 January 2023 but early application is allowed, only for entities that apply IFRS 9 - Financial Instruments and IFRS 15 - Revenue from Contracts with Customers.

The directors do not expect the adoption of this standard to have any significant impact on the financial statements.

It should also be noted that at the date of these financial statements, the competent bodies of the European Union had not yet completed the endorsement process necessary for the adoption of the amendments and standards described below.

- Amendment "**Amendments to IAS 1 Presentation of Financial Statements:**

Classification of Liabilities as Current or Non-current" (published on 23 January 2020). The document aims to clarify how to classify debts and other short- or long-term liabilities. The changes come into effect from 1 January 2023; early application is however permitted.
The directors do not expect the adoption of this amendment to have any significant impact on the financial statements.

- Amendments "**Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2**" and "**Definition of Accounting Estimates - Amendments to IAS 8**" (published on 12 February 2021). The amendments are aimed at improving disclosure on accounting policies in order to provide more useful information to investors and other primary users of the financial statements and to help companies distinguish changes in accounting estimates from changes in accounting policies. The changes will come into effect from 1 January 2023, but early application is permitted.
The directors do not expect the adoption of this amendment to have any significant impact on the financial statements.
- Amendment "**Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction**" (published on 7 May 2021). The document clarifies how deferred taxes on certain transactions that can generate assets and liabilities of the same amount, such as leasing and dismantling obligations, must be accounted for. The changes will come into effect from 1 January 2023, but early application is permitted.
The directors do not expect the adoption of this amendment to have any significant impact on the financial statements.
- Amendment "**Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 - Comparative Information**" (published on 9 December 2021). The amendment is a transition option relating to comparative information on financial assets presented at the date of initial application of IFRS 17. The amendment is aimed at avoiding temporary accounting mismatches between financial assets and liabilities of insurance agreements, and therefore at improving the usefulness of comparative information for readers of the financial statements. The amendments will apply from 1 January 2023, together with the application of IFRS 17.
The directors do not expect the adoption of this amendment to have any significant impact on the financial statements.

Section 3 - Significant events subsequent to the reporting period

On 17 March 2022, the Board of Directors of Banca Profilo examined these draft financial statements and authorised their publication.

Referring to the Report on Operations for a general discussion on developments after the end of the financial year, it should be noted that after 31 December 2021 and up to the date of approval of this report, no facts or events have occurred that would lead to an adjustment to the results of the financial statements as at 31 December 2021.

On the other hand, the evolution of the geo-political context encountered since late February 2022 following the start of the Russia-Ukraine conflict should be noted as a significant event that in accordance with IAS 10 does not entail an adjustment of the balance sheet values. Therefore, repercussions on the European and global macroeconomic framework, in part already characterised by tensions in global supply chains as a consequence of the COVID-19 pandemic, cannot be excluded. It is possible that the European economy is characterised by greater volatility (mainly due to the potential increase in energy costs over an extended period of time), and consequently there may be effects on production activities. In view of the uncertainty regarding the evolution of the geo-political environment and its impact on production activities, it is not possible to exclude significant effects on the Italian and international economy that could entail the need to make a new estimate of the financial statement values in light of the information that will become available. For further details on the related elements of uncertainty, please refer to the following Section 4 "Other matters" in Part A of the Notes.

Section 4 - Other matters

Management and coordination activities

Banca Profilo is subject to the management and coordination of the Parent Company Arepo BP pursuant to Art. 2497 et seq. of the Italian Civil Code.

Any relations between the Bank and Arepo BP are indicated in "Part H - Related-party transactions" to which reference should be made.

As at the date of preparation of these financial statements, the figures for the financial statements as at 31 December 2021 of Arepo BP S.p.A. are not available, as required by Article 2497- ter of the Italian Civil Code, as they have not yet been approved. The figures relating to the financial statements as at 31 December 2020 are therefore attached.

Use of estimates and assumptions when preparing financial statements

The preparation of the financial statements also requires the use of estimates and assumptions that can have a significant impact on the balance sheet and income statement amounts, as well as on disclosure of contingent assets and liabilities reported in the financial statements. The preparation of these estimates involves the use of available information and the adoption of subjective evaluations, also based on historical experience, used for the formulation of reasonable assumptions for the recognition of operating events. By their nature, the estimates and assumptions utilised may vary from one period to another and, therefore, it cannot be ruled out that in subsequent periods the actual amounts stated in the financial statements may differ, even to a significant extent, as a result of changes in subjective assessments made.

Among the main factors of uncertainty that could affect the future scenarios in which the Group will find itself operating, there are, in addition to the possible contagion developments on the global and Italian economies directly or indirectly still partly connected to the epidemic, the effects related to the geopolitical context, influenced by the conflict currently taking place in Ukraine, whose impacts on the economy to date cannot be estimated as there are many determinants that are still unknown and undefined. As mentioned above, repercussions on the European and global macroeconomic framework cannot be ruled out, and as previously mentioned it is therefore possible that the European economy is characterised by greater volatility (mainly due to the potential increase in energy costs over an extended period of time), and consequently there may be effects on production activities. The analyses will consequently be progressively updated as part of the accounting estimates for the 2022 financial year. In any case, as illustrated in Part E of these Explanatory Notes, in section 1 – Credit risks, the Bank does not have direct exposures towards Russian or Ukrainian counterparties, and the indirect impacts, with reference to the Group's credit exposures, finance area and customers, are contained. It is believed that the information and sensitivity analyses provided with reference to the main items of the financial statements subject to estimate are capable of reflecting the impacts related to the elements of uncertainty assumed at the date of preparation of this Financial Report.

The main cases for which the use of subjective assessments by management was necessary are as follows:

- use of valuation models to measure the fair value of financial instruments not listed in active markets;
- the quantification of expected losses on receivables, securities, guarantees issued and commitments;
- the determination of the fair value of financial instruments to be used for financial statement reporting purposes;
- assessment of the fairness of the value of goodwill and other intangible assets;
- the quantification of provisions for risks and charges and the assessment of contingent liabilities;
- the quantification of personnel funds;

It should be noted that the adjustment of an estimate may occur as a result of changes in the circumstances on which it was based or as a result of new information or more experience.

The change in the estimate is applied prospectively and therefore has an impact on the income statement for the year in which the change takes place and, if necessary, for future years.

In this regard, it should be noted that the 2021 financial year was not characterised by changes in the estimate criteria already applied for the preparation of the Financial Statements at 31 December 2020. In order to make a more precise application of these estimation criteria, steps have been taken, also in consideration of the direct and indirect impacts of the COVID-19 pandemic, to update the assumptions underlying the estimation processes.

In particular, as regards the determination of the expected loss on receivables, securities, guarantees given and commitments pursuant to IFRS 9, which is also a function of prospective information such as, in particular, the evolution of macroeconomic scenarios used in the calculation of value adjustments, the evolution of these scenarios, and their weighting was assessed on a periodic basis. For further details, please refer to the information reported in Part E of these Notes to the Consolidated Financial Statements.

The description of the accounting policies applied to the main aggregates of the financial statements provides the information necessary to identify the main assumptions and subjective assessments used in the preparation of the financial statements. For further detailed information regarding the composition and the relative book value of the items affected by the estimates in question, please refer to the specific sections of the notes.

Risks, uncertainties and impacts of the COVID-19 epidemic

The COVID-19 epidemic required the Bank to undertake measures aimed at effectively managing the risks and direct and indirect impacts related to the pandemic. Please refer to the section "Main risks related to the COVID-19 pandemic and actions taken by Banca Profilo" in the Report on Operations for further details with reference to the specific risks the Bank has had to face, and the related management methods undertaken.

With specific reference to the assessment of the going concern assumption, as previously mentioned, the Directors confirmed the applicability of this assumption in the preparation of the individual financial statements in the light of the results achieved by the Bank during the year, and in the assessment of the significant items of the financial statements. The Directors therefore considered that no significant conditions of uncertainty emerged such as to compromise the prospects of continuity in the foreseeable future.

As regards the potential uncertainty in the estimates, related to the impacts of the COVID-19 epidemic, as previously highlighted, the impacts that can be estimated to date have been taken into consideration in the formulation of the accounting estimates by updating the assumptions underlying the estimation processes, highlighting that the 2021 financial year was not characterised by changes in these estimation processes already applied in the preparation of the previous financial statements.

Contractual changes resulting from COVID-19

1) Contractual amendments and accounting de-recognition (IFRS 9)

With particular reference to the moratoria in compliance with the Law Decree no. 18 of 17 March 2020 and the disbursements in accordance with Law Decree no. 23 of 8 April 2020, there are a number of entirely residual positions for Banca Profilo, for which an accounting and prudential treatment was carried out in accordance with the provisions of the EBA Guidelines of 25 March 2020 and 2 April 2020.

2) Amendment of the accounting standard IFRS 16

As already highlighted in Section 2, the entry into force of the amendment concerning IFRS 16 did not have any effects on Banca Profilo's financial statements.

Transparency requirements in reporting public disbursements

In accordance with the provisions of the so-called "Annual law for the market and competition" (Law no. 124/2017), which provides that as from 2018, companies that receive grants, contributions, remunerated assignments and in any case economic advantages of any kind from Public Administrations or parties connected to the latter, are required to indicate these amounts in the notes to the financial statements, it should be noted that, also taking into account the indications provided by the in-depth document issued by Assonime on 14 February 2018, Banca Profilo has received aid of € 114 thousand, mainly concerning training plans, and this has been registered in the National Aid Register (Registro Nazionale degli Aiuti - RNA).

Method of determining the fair value of securities

A. Securities listed on active markets

Where a security is deemed to be listed on an active market, considering as such a market where quoted prices are readily and regularly available and such prices represent actual market transactions that occur regularly in normal trading, the market price of the security at the valuation date is certainly the best representation of its fair value. Consequently, in the case of a listing on an active regulated market, the security is valued on the basis of the last available price recorded on the trading market.

Where a security is traded on several regulated markets, the price found on the most advantageous market to which the Bank has immediate access shall be used. In the case of listing on an unregulated stock exchange, the security is valued on the basis of the median of the relevant contribution prices available at the valuation date.[10]

The market price used is:

- the bid price, in the case of a net open position to buy ("long net position");
- the ask price, in the case of a net open position to sell ("short net position");

[10] Where contributions are available that already represent an average of the prices of several brokers (e.g. ICMA contributions), these contributions are used

- the mid-price, in the case of a "book" managed financial instrument, consistently with the valuation of all other derivative instruments that make up the so-called "book" component, as the securities are the instruments for obtaining positions offset against market trends (so-called offsetting position).

In the case of securities traded in active but unregulated markets, prices are normally recorded on Bloomberg, on the Historical Price ("HP") page: the median is calculated among all the relevant contributions available.[11]

B. Securities not listed on active markets

If, on the basis of the above criteria, a security cannot be considered to be listed on an active market, Risk Management proceeds to determine its fair value considering all relevant market information that is in any fashion available and favouring, where possible, the use of parameters that can be directly observed on the market over those that cannot be observed on the market.

As part of the process of determining the fair value of a security not traded in an active market, the following criteria are taken into account:

a. prices of recent transactions or market contributions/listings available at the valuation date, even if they relate to a market considered inactive;
b. valuations provided by the issuer or by a calculation agent or, in any case, by an external valuation service: since these are not prices resulting from actual market transactions, these prices are considered with particular caution and are in any case subject to verification by the Bank;
c. mark to model evaluations, carried out by discounting the expected future flows of the security on the basis of rate curves including a spread deemed appropriate in relation to the issuer risk and the liquidity of the security; for the determination of the spread, the spreads recorded on listed securities of the same issuer with similar duration and liquidity characteristics or those recorded on credit default swaps on the same issuer and of the same maturity or those recorded on issuers with similar risk characteristics (by rating, sector, country) are taken as reference; periodically (and at the time of initial purchase), Risk Management calibrates the valuation technique and verifies its validity using prices of current observable market transactions or based on any available observable market data.

Risk Management verifies the significance of the valuation sources used by comparing, for each sale transaction, the price realised with the price relating to the last valuation carried out, stripped of any price variation attributable to the general trend of relevant market factors.

Disclosure in relation to high-risk financial instruments

In line with the recommendations of the Financial Stability Forum in its report issued on 7 April 2008 and with the Bank of Italy's request in its communication no. 671618 of 18 June 2008 in relation to market disclosure, it is hereby declared that, as at 31 December 2021, the Bank had no outstanding exposure in financial instruments considered to be high risk or involving greater risk than previously commonly believed, including Collateralised Debt Obligations (CDOs), Residential Mortgage-Backed Securities (RMBS), Commercial Mortgage-Backed Securities (CMBS), Special Purpose vehicles and other leveraged finance instruments.

Option for tax consolidation

Banca Profilo, together with its subsidiaries Arepo Fiduciaria Srl and Profilo Real Estate Srl, has joined the so-called "national tax consolidation" scheme provided for by articles 117-129 of the T.U.I.R. (Italian consolidated tax act), of which Arepo BP Spa is the consolidating company as the parent company. With the exercise of the option, the total net income or tax loss of each company participating in the tax consolidation, together with withholdings, deductions and tax credits, are transferred to the parent company, producing a single taxable income or a single loss that can be carried forward resulting from the algebraic sum of its own income or losses and those of the participating subsidiaries and, consequently, a single tax debit/credit.

Auditing

These financial statements as at 31 December 2021 have been audited by Deloitte & Touche S.p.A.

[11] The definition of relevant contribution is that provided in point e) of the previous paragraph

A.2 - MAIN ITEMS OF THE FINANCIAL STATEMENTS

The accounting standards adopted for the preparation of Banca Profilo's financial statements are set out below.

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

(a) Classification criteria

This category includes financial assets held for trading, financial instruments that are held with the intention of generating profits in the short term from variations in the prices of said instruments and derivative contracts not designated as hedges (HTS business model), in particular:

- listed and unlisted debt securities;
- listed equity securities;
- unlisted equity securities only when their fair value can be reliably determined;
- derivative contracts, with the exception of those designated as hedging instruments, which have a positive fair value at the balance sheet date; if the fair value of a derivative contract subsequently becomes negative, it is recorded under financial liabilities held for trading.

The item also includes financial assets that must be measured at fair value, represented by financial assets that do not meet the requirements for valuation at amortised cost or fair value through other comprehensive income (so-called "SPPI test" not passed) or that are not held under a HTS business model and financial assets designated at fair value, i.e. financial assets so defined at initial recognition. In relation to such cases, an entity may irrevocably designate a financial asset as measured at fair value through profit and loss if, and only if, this significantly reduces an inconsistency in measurement.

The derivative is a financial instrument or other contract with all three of the following characteristics:

a) its value changes in response to changes in a specific interest rate, the price of a financial instrument, the price of a good, the exchange rate of a foreign currency, an index of prices or rates, a credit rating or credit index or other variables;
b) it does not require an initial net investment or requires an initial net investment lower than would be required by other types of contracts from which similar responses to changing market factors can be expected;
c) it will be settled at a future date.

This category includes financial and credit derivatives. The former includes forward contracts for the purchase and sale of securities and currencies, derivative contracts with underlying securities and those without underlying securities linked to interest rates, indexes or other assets, and derivative contracts on currencies. Derivative contracts also include those that may be embedded in other complex financial instruments, which have been recognised separately from the host instrument because:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the primary contract;
- the embedded instruments, even if separate, meet the definition of a derivative;
- the hybrid instruments to which they belong are not measured at fair value with changes in value recognised in the income statement.

This item also includes investments subject to significant influence or joint control which, IAS 28 and IFRS 10 respectively allow for assignment to this portfolio.
Reclassifications to other categories of financial assets are only possible if the entity changes its business model for the management of financial assets. In these cases, which are expected to be highly infrequent, financial assets may be reclassified from the category 'measured at fair value through profit and loss' to one of the other two categories envisaged by IFRS 9 (financial assets measured at amortised cost or financial assets measured at fair value through other comprehensive income). The transfer value is represented by the fair value at the time of reclassification. The date of reclassification and its value will be taken into account for the calculation of the effective interest rate of the reclassified asset, and for the stage assignment credit risk allocation activity.

(b) Recognition criteria

The initial recognition of debt and equity securities takes place on the "settlement date", while derivative instruments are recognised on the "subscription date".
The initial book value is equal to the cost (purchase price) intended as the fair value of the instrument, without considering any transaction costs or revenues directly attributable to the instrument which are recorded in the income statement.

(c) Measurement criteria

Subsequent to initial recognition, financial assets held for trading are measured at fair value, with

changes recognised in the income statement under item 80 "Net profit (loss) from trading" and item 110 "Net profit (loss) from other financial assets and liabilities measured at fair value through profit and loss" - a) financial assets and liabilities designated at fair value and - b) other financial assets mandatorily measured at fair value.
Market prices are used to determine the fair value of financial instruments listed on active markets.
An active market is defined as one where listings, reflecting normal market transactions, are readily and regularly available through stock exchanges, brokers, intermediaries, companies in the sector, listing services or authorised bodies and express the price of actual and regular market transactions that occurred during a normal reference period.
In relation to securities, the Bank has identified two conditions for a security to be considered listed on an active market, namely:

- the security must be traded on a regulated market or on an alternative stock exchange: a listing on a regulated market, therefore, is in itself neither a necessary nor sufficient condition for an active market to be considered as such;
- the price expressed by that market must be "significant", i.e. the result of regular and effective transactions between counterparties who freely decide to buy and sell and are not forced to do so by their particular stress conditions.

In the absence of an active market, for the purposes of determining the fair value of securities, all relevant market information that is in some way available is considered, favouring, where possible, the use of directly observable market parameters such as:

- prices of recent transactions or market contributions/listings available at the valuation date, even if they relate to a market considered inactive;
- valuations provided by the issuer or by a calculation agent or in any case by an external valuation service, even if, since these are not prices resulting from actual market transactions, they are considered with particular caution and are subject to verification by the Bank;
- mark to model type valuations, carried out by discounting the expected future flows of the security taking into account all available information.

With regard to other financial instruments, i.e. unlisted derivatives, the fair value corresponds to the presumed replacement cost obtained from the price of listed derivative contracts with identical characteristics (by underlying, exercise price and maturity) or by discounting future cash flows (certain or estimated) at market rates recorded by information circuits normally used internationally and/or applying best practice valuation models.

(d) Derecognition criteria

Financial assets held for trading are derecognised when the contractual rights on the cash flows arising from such assets expire or when the financial assets are sold with the transfer of substantially all related risks and rewards.
Financial assets sold are derecognised even when the bank retains the contractual right to receive the cash flows deriving from them, but at the same time assumes the contractual obligation to pay the same flows to third parties.
Securities received as part of a transaction that contractually envisages their subsequent sale and securities delivered as part of a transaction that contractually envisages their repurchase are not recorded in or written off the financial statements.

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

(a) Classification criteria

This category includes financial assets that simultaneously meet the following conditions:

- the financial asset is held according to a business model whose objective is achieved through the collection of contractually envisaged cash flows and through selling ("Hold to Collect and Sell" business model);
- the contractual terms of the financial asset envisage, on specific dates, cash flows represented solely by payments of principal and interest on the amount of capital to be repaid (so-called "SPPI test" passed).

This item also includes equity instruments, not held for trading purposes, for which the option to designate at fair value through other comprehensive income was exercised at the time of initial recognition.
Therefore, the following are included in this item

- debt securities that are part of a Hold to Collect and Sell business model and that have passed the SPPI test;
- equity stakes, which cannot be classified as representing control, an affiliation, or joint control and are not held for trading purposes, for which the fair value through other comprehensive income option was chosen;

- loans that are part of a Hold to Collect and Sell business model and that have passed the SPPI test.

Reclassifications to other categories of financial assets are only possible if the entity changes its business model for the management of financial assets. In these cases, which are expected to be highly infrequent, financial assets may be reclassified from the category 'measured at fair value through profit and loss' to one of the other two categories envisaged by IFRS 9 (financial assets measured at amortised cost or financial assets measured at fair value through other comprehensive income). The transfer value is represented by the fair value at the time of reclassification. If assets are reclassified from this category to the amortised cost category, the cumulative profit (loss) recorded in the valuation reserve is adjusted to the fair value of the financial asset at the reclassification date. In the case of reclassification in the category of fair value through profit and loss, the accrued profit (loss) previously recorded in the valuation reserve is reclassified from shareholders' equity to profit (loss) for the year.

(b) Recognition criteria

The initial recognition of debt and equity securities takes place on the "settlement date" and the disbursement date for loans.
Financial instruments are recognised on initial recognition at fair value, which generally coincides with their cost (purchase price) including any transaction costs or income directly attributable to them.

(c) Measurement criteria

Subsequent to initial recognition, financial assets are measured at fair value with the recognition in the income statement of the remuneration of the instrument calculated on the basis of the IRR method, while changes in fair value are recognised in a specific equity item (item 110 - Valuation reserve), contributing to comprehensive income (in item 140 - Financial assets other than equity securities measured at fair value through other comprehensive income), until the financial asset is derecognised or an impairment loss is recognised (in which case a loss is recognised in item 130 - Net value adjustments/reversals for credit risk); at the time of disposal the cumulative profit or loss is then reversed to the income statement under item 100 b) - Income (loss) from disposal or repurchase of financial assets measured at fair value through other comprehensive income.
The equity instruments selected for classification in this category are measured at fair value and the amounts recognised as a contra-entry to equity and contribute to comprehensive income under item 20 - Equity securities measured at fair value through other comprehensive income, and must not be subsequently transferred to the income statement, even in the event of disposal (in the event of disposal, cumulative profits and losses are recognised under item 140 – Reserves). The only component of these equity securities that is recognised in the income statement is represented by the related dividends. Fair value is determined on the basis of the criteria already illustrated for Financial assets measured at fair value through profit and loss.
Financial assets measured at fair value through other comprehensive income - both in the form of debt securities and receivables - are subject to verification of the significant increase in credit risk (impairment) as required by IFRS 9, similar to Financial assets measured at amortised cost, with the consequent recognition in the income statement of a value adjustment to cover expected losses.
All instruments are classified into three classes:

- assets with performance in line with expectations (stage 1 assigned on origination date);
- assets with performance significantly below expectations (stage 2 - performing which showed a deterioration in their creditworthiness);
- non-performing assets (stage 3 or Non-Performing).

The classification must be based on the creditworthiness of the counterparty. The creditworthiness at the date the credit arises shall be compared with the creditworthiness at the valuation date. For assets in the first merit class, a valuation process must be applied to expected losses over a 12-month time period. For assets in classes two and three, the valuation process must be applied throughout the life of the instrument. The process for stages 1 and 2 is generic while it is analytical for NP positions (stage 3). Equity securities are not subject to the impairment test.

(d) Derecognition criteria

Financial assets are derecognised when the contractual rights on the cash flows arising from such assets expire or when the financial assets are sold with the transfer of substantially all related risks and rewards. The economic result of the sale of financial assets is charged to the income statement except for equity instruments.

3 - Financial assets measured at amortised cost

(a) Classification criteria

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

- the financial asset is held according to a business model whose objective is achieved through the collection of contractually envisaged cash flows ("Hold to Collect" business model);
- the contractual terms of the financial asset envisage, on specific dates, cash flows represented solely by payments of principal and interest on the amount of capital to be repaid (so-called "SPPI test" passed).

The following are included in this item once the two requirements set out above have been met:

- loans and advances to banks in various technical forms;
- loans and advances to customers in various technical forms;
- debt securities.

This category also includes operating receivables connected with the provision of financial services and activities. As required by the 7th update of circular no. 262 of the Bank of Italy, issued on 29 October 2021, sight receivables from banks, previously classified among financial assets measured at amortised cost, starting from the 2021 financial statements, are shown in item 10. Cash and cash equivalents.

Reclassifications to other categories of financial assets are only possible if the entity changes its business model for the management of financial assets. In these cases, which are expected to be highly infrequent, financial assets may be reclassified from the category 'measured at amortised cost' to one of the other two categories envisaged by IFRS 9 (Financial assets measured at fair value through profit and loss or Financial assets measured at fair value through other comprehensive income). The transfer value is represented by the fair value at the time of reclassification. In the event of reclassification from the category in question to fair value through profit and loss, the cumulative profit (loss) will be recognised in the income statement. If, instead, assets are reclassified to the fair value through other comprehensive income category, the cumulative profit (loss) will be recognised in shareholders' equity under the appropriate valuation reserve.

(b) Recognition criteria

Receivables are initially recognised at the disbursement date or, in the case of a debt security, at the settlement date, on the basis of the fair value of the financial instrument, which is equal to the amount disbursed, or subscription price, including costs or revenues directly attributable to the instrument and determinable from inception, even if paid at a later date. All charges that are reimbursed by the debtor counterparty or that are attributable to internal administrative costs are excluded. In the case of credit transactions concluded at conditions other than market conditions, the fair value is determined using specific valuation techniques; the difference with respect to the amount disbursed or the subscription price is charged directly to the income statement.

(c) Measurement criteria

Subsequent to their initial recognition, "Financial assets held to maturity" are measured at amortised cost, using the effective interest rate method. The result of the application of this method is posted through profit and loss under item 10. Interest income and similar revenues.
Profits or losses relative to these assets are posted to the income statement when the assets are de-recognised or impaired.
When preparing the financial statements or interim reports, positions in this category are subject to impairment, with the value adjustments identified recorded in the income statement.
All instruments are classified into three classes:

- assets with performance in line with expectations (stage 1 assigned on origination date);
- assets with performance significantly below expectations (stage 2 - performing which showed a deterioration in their creditworthiness);
- non-performing assets (stage 3 or Non-Performing).

The classification must be based on the creditworthiness of the counterparty. The creditworthiness at the date the credit arises shall be compared with the creditworthiness at the valuation date. For assets in the first merit class, a valuation process must be applied to expected losses over a 12-month time period. For assets in classes two and three, the valuation process must be applied throughout the life of the instrument. The process for stages 1 and 2 is generic while it is analytical for NP positions (stage 3). If the financial assets in question are performing (stages 1 and 2), they are subjected to an assessment, aimed at defining the value adjustments to be recorded in the financial statements, at the level of individual credit relationships (or "securities tranches"), on the basis of the risk parameters represented by probability of default (PD), loss given default (LGD) and exposure at default (EAD). The

valuation also takes into account the guarantees received in place.
Loans and securities for which no objective evidence of loss has been individually identified fall within the so-called "performing loans" (performing positions) and are subject to collective valuation.
The valuation model for the generic fund is established on the basis of the following formula:

$$ECL = EAD \times PD \times LGD$$

where:

- ECL = Expected Credit Loss
- EAD = Exposure at Default
- PD = Probability of Default
- LGD = Loss given Default

Collective devaluations of securities and receivables are therefore calculated according to the following principles:

- at each reporting date, if the credit risk of a financial instrument has not significantly increased with respect to the date of disbursement or purchase (stage 1), the expected loss for that financial instrument should be measured as the amount of expected losses in the following 12 months;
- at each reporting date, if the credit risk of a financial instrument has significantly increased with respect to the date of disbursement or purchase (stage 2), the expected loss for that financial instrument is measured as the amount of expected losses over the remaining life of the instrument (lifetime).

For the purposes of staging financial assets, each asset is classified at the origination date in "stage 1" and subsequently:

- with regard to securities, the deterioration of three notches on the rating attributed to the instrument itself by external rating agencies, together with a final speculative grade rating, is considered evidence of a significant increase in credit risk, and therefore a move to "stage 2" for the security;
- with regard to loans, the deterioration of three notches on the internal rating assigned to the position is considered evidence of a significant increase in credit risk. In this regard, it is considered that, in relation to loans, the credit risk of an instrument may not be considered significantly increased if, at the measurement date, the credit risk of the instrument itself is considered low on the basis of the assessments made by the Credit Committee.

The PDs used are estimated starting from the construction of Pit (Point in time) migration matrices from historical databases on which future PDs are built based on simulations of different macroeconomic scenarios. Finally, PD averages weighted by the probability of occurrence of the scenarios are calculated.
The LGDs used are estimated by models that make them Point in Time and forward looking and can be adjusted based on the guarantees received.
Exceptions are commercial credits, for which the simplified approach envisaged by the standard is applied, according to which credit classification takes place directly in stage 2 (therefore no staging activities are envisaged with reference to performing credits), and calculation of the Expected Credit Loss (so-called ECL) lifetime on the basis of a provision matrix mechanism linked to each individual credit relationship, in relation to the status of the fiduciary mandate (the ECL varies in relation to whether the customer relationship is still active or terminated) and the seniority of the receivable (the ECL is increased on receivables with a duration exceeding certain seniority thresholds).
For the classification of non-performing exposures into the various risk categories (bad loans, unlikely to pay, non-performing past-due and/or overdrawn exposures), Banca Profilo refers to the relevant regulations issued by the Bank of Italy. Non-performing loans are subject to an analytical valuation process regardless of the amounts involved. The amount of the value adjustment to be made to each loan is equal to the difference between its book value at the time of measurement (amortised cost) and the present value of expected future cash flows, calculated by applying the original effective interest rate. The envisaged cash flows take into account the expected recovery, estimated recovery times and estimated realisable value of any guarantees. Cash flows relative to loans that are expected to be repaid in the short term are not discounted. The original effective rate of each loan is unvaried over time, even if there has been a restructuring of the agreement which has led to a change in the contractual rate and even if the loan becomes, in practice, contractually non-interest-bearing. Impairment losses are posted to the income statement under this item.

(d) Derecognition criteria

Financial assets measured at amortised cost are derecognised when the contractual rights on the cash flows arising from such assets expire or when the financial assets are sold with the transfer of substantially all related risks and rewards.
For all positions classified as bad loans, the Bank assesses whether it is appropriate to continue to

maintain the bad loan as the out-of-court or legal actions underway allow a reasonable expectation of recovery, even partial, or whether it is appropriate to proceed with a total or partial write-off or derecognition, respectively, by virtue of the conclusion of the recovery process or the circumstance that there is no reasonable prospect of recovery.
A write-off, in accordance with IFRS 9, is the reduction of the gross book value of the receivable resulting from the acknowledgement that there are no reasonable expectations of its recovery for amounts exceeding those considered collectable or already collected.
It does not imply a waiver by the bank of its legal right to recover the loan and must be effected if all the information available indicates that the debtor is unable to repay all or part of the amount of the debt.
The criteria that the Bank has identified in order to determine whether a position is among those to be assessed for the purposes of a possible write-off depend on the possible presence of bankruptcy proceedings, the levels of coverage and the seniority of the position in the bad loan status.

4 – Hedging transactions

Banca Profilo avails itself of the possibility, provided for by IFRS 9, to continue to fully apply the provisions of IAS 39 on hedge accounting.
Hedging transactions are defined as the designation of a financial instrument capable of neutralising, in whole or in part, the profit or loss (related to market risks, such as interest rate risk, exchange rate risk or price risk, or the issuer's credit risk) deriving from a change in the fair value or cash flows of the hedged instrument. The hedging intent must be formally defined, not retroactive and be consistent with the risk hedging strategy set out by the Bank's Management. At each balance sheet and mid-year reporting date, it is required to verify that the hedge implemented through the use of the derivative instrument is highly effective in offsetting changes in fair value or expected cash flows of the hedged item; this verification must be prospective and retrospective.
Initial recognition of hedging derivatives takes place on the "trade date", based on their fair value on that date.
The accounting of derivatives as hedging instruments is permitted by IAS 39 only under specific conditions, i.e. when the hedging relationship is:

- clearly defined and documented;
- measurable;
- currently effective.

The hedging relationship ceases when

- the derivative expires, is sold, terminated or exercised;
- the hedged item is sold, expires, or is repaid;
- it is no longer highly likely that the hedged future transaction will occur.

The fair value of the derivative financial instruments designated as hedging is recognised under item 50 - Hedging derivatives under assets if the fair value of the derivative is positive, while if the fair value of the hedging instrument is negative it is recognised under item 40 - Hedging derivatives under liabilities.
IAS 39 recognises three types of hedging:

- hedging of the fair value of an asset or liability already recorded in the financial statements; in this case the profit or loss deriving from changes in the fair value of the hedging instrument is immediately reflected in the income statement, as are the profits or losses from the valuation of the hedged instrument;
- cash flow hedging; in this case the effective portion of the profit or loss on the hedging instrument is initially recognised in shareholders' equity (recognising it in the income statement as the hedged instrument reflects the related flows in the income statement); the ineffective portion of the profit or loss on the hedging instrument is instead recognised directly in the income statement;
- hedging of a net investment in a foreign entity; the accounting is the same as for cash flow hedging transactions.

5 – Equity investments

(a) Classification criteria

This item includes investments held in subsidiaries, jointly controlled companies, associates or companies subject to significant influence.
A subsidiary is defined as the company in which the investor owns directly or indirectly, through its subsidiaries, more than half of the voting rights (51%). Control also exists when the investor owns half, or a smaller portion, of the votes exercisable at the shareholders' meeting if it has:

- control of more than half of the voting rights by virtue of an agreement with other investors;
- the power to determine the financial and operating policies of the investee company by virtue of a statutory clause or a contract;
- the power to appoint or remove the majority of the members of the Board of Directors or equivalent Corporate

Governance Body, and control of the investee company is held by that Board or Body.

A jointly controlled company is defined as a company for which contractual, shareholder or other agreements are in place for the joint management of the business and the appointment of directors.
An associate is defined as a company in which at least 20% of the voting rights are held or over which the investor exercises significant influence, also due to particular legal ties, such as participation in shareholders' agreements; significant influence is the power to participate in determining the financial and operating policies of the investee without having control or joint control.

(b) and (c) Recognition and measurement criteria

Investments in associates or jointly controlled companies are recorded at purchase cost plus any additional charges.

If evidence emerges of a reduction in the value of an equity investment, it is necessary to compare the book value of the equity investment with its recoverable value, determined by reference to its value in use. The value in use is in turn determined by means of valuation models; if it is not possible to collect sufficient information for the definition of the value in use through the application of appropriate valuation methodologies, the value in use is considered to be the value of the company's shareholders' equity.

If it emerges that the recoverable value is lower than the book value, the related difference is recognised in the income statement under item "220. Gains (losses) on equity investments". If the reasons for the value adjustment no longer apply, the related reversals are charged to the same income statement item.

Equity investments considered as "strategic investments", which do not fall under the above definitions and are different from those that may be recorded under item "110. Non-current assets and disposal groups held for sale" are classified as assets designated at fair value through other comprehensive income and treated accordingly.

(d) Derecognition criteria

Equity investments are derecognised when the contractual rights on the cash flows arising from them expire or when the investments are sold with the substantial transfer of all risks and rewards of ownership.

6 – Property, plant and equipment

(a) Classification criteria

These are property, plant and equipment (technical plant, furniture, furnishings and equipment of all kinds) used in the business and which are expected to be used for more than one period. Property, plant and equipment include the costs of leasehold improvements; when these costs can be separated from the assets themselves and if they do not have independent functionality and usability but future benefits are expected from them, they are recorded under "other assets" and are depreciated over the shortest period between the expected useful life of the improvement and the residual lease term.
As from 1 January 2019, the item also includes a) rights of use acquired by the lessee through lease contracts and relating to the use of a tangible asset, b) assets granted under operating leases by the lessor and c) improvements and incremental expenses incurred on owned assets or rights to use property, plant and equipment relating to lease contracts.

(b) Recognition criteria

Property, plant and equipment are recorded at cost, including any additional charges directly attributable to the purchase and start-up of the asset. Non-recurring expenditures for maintenance which involve an increase in future economic benefits are booked as an increase in the value of the assets, while expenses for ordinary maintenance are booked to the income statement. Property, plant and equipment, including rights of use acquired through lease contracts, are recognised only when future economic benefits associated with the asset acquired are identified, as well as when the cost of the asset acquired can be reliably determined. The rights of use acquired through lease contracts arise from the lessee's commitment to pay a fee for a certain period of time for the use of a tangible asset. The right of use is recorded in the Balance Sheet on the date on which the lease contract commences, i.e. on the date on which the lessee can exercise the right of use. The book value of the right of use is determined considering the sum of the financial liability for the lease, the initial direct costs as well as any costs that the lessee will have to incur to restore the leased asset. At the same time, financial liabilities measured at amortised cost will include a financial liability arising from the signing of the lease contract, calculated as the present value of the payments to which the lessee has committed, discounted at the interest rate implicit in the contract or at the lessee's incremental borrowing rate.

For the purpose of recording the right of use deriving from a lease contract, components not directly related to the lease, such as, for example, ancillary services provided by the lessor, must be separated and recognised in the income statement in the financial year in which they are accrued. The lessee is exempt from the recognition of the right of use deriving from a lease contract if the contract is short-term (with a residual term of 12 months or less) and does not provide for an option to purchase the asset by the lessee, and if the asset covered by the contract is of low value. When registering the right of use, an assessment is made of the expected duration of the contract, also taking into account the presence of extension options and termination options, as well as the relative probability of their exercise.

(c) Measurement criteria and revenue recognition criteria

Property, plant and equipment are valued at cost less accumulated depreciation and any impairment losses in accordance with IAS 16. The same criterion is also adopted for investment property, having opted for the option of valuation after cost.
Property, plant and equipment are systematically depreciated over their useful life, understood as the period of time over which the asset is expected to be usable by the company, using the straight-line method. Works of art are not subject to depreciation as their value is generally expected to increase with the passage of time.
In view of the fact that property, plant and equipment may include components with different useful lives, land, whether separate or included in the value of the building, is not subject to depreciation as a fixed asset with an indefinite useful life.
At the end of each financial year or interim period, in the presence of situations that indicate the existence of lasting impairment losses, the recoverable value of the asset, which corresponds to the greater of its value in use (current value of the economic functions of the asset) and its exchange value (presumed disposal value net of transaction costs), is compared with its book value net of depreciation. Any adjustments are posted to the income statement under item 180 “Net value adjustments/reversals on property, plant and equipment”. Where the reasons for impairment cease to exist, a reversal is made, which may not exceed the value that the asset would have had, net of depreciation in the absence of previous impairment losses.
With reference to the rights of use resulting from the application of IFRS 16, during the term of the contract from which the right of use originates, it is necessary to restate the liability recorded on the liabilities side of the balance sheet if there are changes in the payments due for the contract; in return, the book value of the right of use will be modified by the amount equal to the restatement of the liability.

(d) Derecognition criteria

Property, plant and equipment is derecognised from the balance sheet upon disposal, or when the asset is permanently removed from use, and no future economic benefits are expected from its disposal. Gains and losses deriving from the disposal or sale of property, plant and equipment are calculated as the difference between the net sale price and the book value of the asset and are recorded in the income statement on the same date in which they are eliminated from the accounts.
As far as the right of use deriving from lease contracts is concerned, it is derecognised from the Balance Sheet at the end of the contract.

7 – Intangible assets

(a) Classification criteria

IAS 38 defines intangible assets as non-monetary assets, without physical substance but identifiable, used in the performance of the company’s business and with a long-term duration. The characteristics necessary to meet the definition of intangible assets are:

- identifiability
- control of the resource in question
- existence of future economic benefits.

In the absence of one of the aforementioned characteristics, the expenditure to acquire or generate the same internally is recognised as a cost in the year in which it is incurred. Intangible assets include software for long-term use and goodwill.
Goodwill is classified under intangible assets. Goodwill represents the positive difference between the purchase cost and the fair value of assets and liabilities acquired as part of business combinations.

(b) Recognition criteria

Intangible assets are recorded at purchase cost including any additional charges and increased by subsequent expenses incurred to increase their initial economic functionality.

(c) Measurement criteria

Intangible assets of limited duration are valued at cost net of amortisation, recorded under item 190 “Net value adjustments/reversals on intangible assets”, as governed by IAS 38.
At the end of each financial year or interim period, in the presence of situations indicating the

existence of lasting impairment losses, the recoverable value of the asset is estimated, with the difference between the book value of the asset and its recoverable value recognised in the income statement under item 190 "Net value adjustments/reversals on intangible assets".
Intangible assets with an indefinite useful life, such as goodwill, are not amortised but subjected to an impairment test at least once a year, even if no indication of significant impairment has been found.
With the exception of goodwill, for which the impairment losses found can no longer be reinstated in subsequent years, the other intangible assets previously written down may be reversed, but the new book value may not exceed the net book value that would have been determined at the same date in the absence of impairment in previous years.

(d) Derecognition criteria

Intangible assets are derecognised following disposals or when they have exhausted their full economic functionality and no future economic benefits are expected.

Intangible assets – Goodwill

(a) Classification criteria

Goodwill included in intangible assets, recognised in accordance with the criteria established by IFRS 3, represents the positive difference between the purchase cost and the fair value, at the same date, of the assets and liabilities acquired as part of business combinations.

(b) and (c) Recognition and measurement criteria

An intangible asset can be recorded as goodwill when the positive difference between the fair value of the assets acquired and the purchase cost of the equity investment (including additional charges) is representative of the future income generating capacity of the equity investment (goodwill). If the difference proves to be negative (badwill) or in the event that the goodwill is not justified by the equity investment's future income capacity, said difference is recognised directly in the income statement.
Every year (or whenever there is evidence of impairment) a test is carried out to verify the adequacy of the value of goodwill (impairment test). To this end, the cash generating unit to which goodwill is allocated is identified, known as CGU, which represents the minimum level at which goodwill is monitored in accordance with the business model adopted.
The amount of the impairment loss is determined by the difference between the book value of goodwill and its recoverable value, if lower. This recoverable value is equal to the higher of the fair value of the cash generating unit, net of any selling costs, and its value in use. The resulting value adjustments are posted to the income statement under item 240 "Value adjustments to goodwill". These impairment losses can no longer be reversed in subsequent years.

(d) Derecognition criteria

Intangible assets are derecognised from the balance sheet upon disposal or when no future economic benefits are expected.

Allocation of the cost of a business combination to the assets acquired and to the liabilities and contingent liabilities assumed

The acquiring entity shall:

a) recognise goodwill acquired in a business combination as an asset;
b) measure this goodwill at its cost, considering that it represents the excess of the cost of the business combination over the acquiring entity's interest in the fair value of the identifiable assets, liabilities and contingent liabilities.

Goodwill acquired in a business combination represents a payment made by the acquiring entity in anticipation of future economic benefits from assets that are not individually identifiable and cannot be recognised separately.
After initial recognition, the acquiring entity measures the goodwill acquired in a business combination at its cost, net of accumulated impairment losses.
Goodwill acquired in a business combination is an asset with an indefinite useful life and should not be amortised. Instead, it is required to verify whether goodwill has been impaired, on an annual basis, or more frequently in the event of specific events or changed circumstances that indicate that it may have been impaired, in accordance with the relevant accounting standard.
The standard states that an asset, including goodwill, is impaired when its recoverable value, defined as the higher of its fair value less selling costs and its value in use, as defined in paragraph 6 of IAS 36, is lower than its book value.
For the purposes of the impairment test, goodwill must be allocated to cash-generating units or to groups of units (so-called CGU), in compliance with the maximum aggregation constraint which cannot exceed the business segment identified pursuant to IFRS 8.

8 – Non-current assets and disposal groups held for sale

Item 110 of the Balance Sheet assets "Non-current assets and groups of assets held for sale" and item 70 of the Balance Sheet liabilities "Liabilities associated with assets held for sale" include non-current assets or groups of assets and liabilities for which the Bank has decided to proceed with its divestiture, and for which disposal is assessed as highly probable. In accordance with the provisions of the IFRS 5 accounting standard, the valuation is carried out at the lower of the book value and the fair value net of the costs to sell. Only some types of assets are exceptions for which it is expressly required that the valuation criteria envisaged by the respective accounting standards be applied (for example, IFRS 9 as regards the valuation of financial assets).

The impact on the income statement of discontinued operations is recognised, net of the related tax effect, in item 290 "Profit/(loss) from discontinued operations net of taxes".

9 – Current and deferred taxes

Current taxes are determined by applying the tax rates and tax regulations in force and, to the extent that they have not been paid, are recognised as a liability. Income taxes are posted to the income statement, excluding those relating to items directly credited or charged to shareholders' equity. Income tax provisions are determined on the basis of a prudential forecast of current tax expense, deferred tax assets and liabilities.
With regard to deferred taxation, the balance sheet liability method was adopted. In particular, prepaid and deferred taxes are calculated on the basis of temporary differences (without time limits) between the value attributed to an asset or liability according to statutory criteria and the corresponding value adopted for tax purposes.
Deferred tax assets are recognised in the financial statements to the extent that there is a likelihood of their recovery, assessed on the basis of the Bank's ability to continuously generate positive taxable income. They are recorded under item 100 b) of the assets. Deferred tax liabilities are recorded under item 60 b) of liabilities and represent the tax charge corresponding to all taxable temporary differences existing at the end of the year.
Deferred tax assets and deferred tax liabilities are constantly monitored and are recognised at the tax rates that are expected to apply in the year in which the tax asset will be realised or the tax liability settled, based on the tax rates and tax regulations in force. The balancing entry for accounting assets and liabilities, both current and deferred, generally consists of the income statement under item 270 "Tax on income for the year from continuing operations".
In addition, the tax reserve is adjusted to cover the charges which might result from any already notified tax assessments or litigation pending with the tax authorities.
Banca Profilo has joined the so-called "national tax consolidation" scheme provided for by articles 117-129 of the T.U.I.R. (Italian consolidated tax act), of which Arepo BP Spa is the consolidating company as the parent company. With the exercise of the option, the total net income or tax loss of each company participating in the tax consolidation, together with withholdings, deductions and tax credits, are transferred to the parent company, producing a single taxable income or a single loss that can be carried forward for IRES purposes, resulting from the algebraic sum of its own income or losses and those of the participating subsidiaries and, consequently, a single tax debit/credit.

10 – Provisions for risks and charges

Commitments and guarantees issued

Sub-item a) commitments and guarantees issued includes provisions for credit risk recognised against commitments to disburse funds and guarantees issued, which fall within the scope of application of the rules on impairment pursuant to IFRS 9. For these cases, in principle, the same allocation methods are adopted between the three stages (credit risk stages) and calculation of the expected loss shown with reference to financial assets measured at amortised cost or measured at fair value through other comprehensive income.

Pension and similar obligations

The provisions for risks and charges referred to in liability item 100 b) include pensions funds, i.e. provisions for employee benefits to be paid out after the end of the employment relationship, which are linked to company agreements and qualify as defined benefit plans. A defined benefit plan provides certain benefits linked to factors such as the beneficiary's age, years of service and the remuneration policies adopted by the company. As a result, the company bears the actuarial and investment risk. The obligations incumbent on the company are determined by discounting future payments in proportion to the variables previously stated (age, years of service rendered) in addition to other actuarial variables such as life expectancy and seniority at the time of termination of employment, and consequently accounted for in accordance with IAS 19 Revised:

actuarial gains and losses arising from the measurement of defined benefit liabilities are recorded as a contra-entry to shareholders' equity under item "110. Valuation reserves" and shown in the Statement of comprehensive income.

Other provisions
Sub-item c) other provisions for risks and charges include provisions made for legal or employment obligations or for disputes, including those tax-related, arising from a past event for which it is probable that economic resources will be required to fulfil the obligations, provided that a reliable estimate can be made of the amount involved. Provisions are determined in order to represent the best estimate of the expenditure required to meet obligations. In determining the estimate, the risks and uncertainties relating to the facts and circumstances under consideration are taken into account.

11 – Financial liabilities measured at amortised cost

(a) Classification criteria
The liabilities included here are Deposits from banks and Deposits from customers; they consist of the various financial instruments through which the Bank realises interbank and customer funding, net of any amounts repurchased.
Interest expenses are recorded in the income statement under item 20 "Interest expenses and similar charges".

(b) Recognition criteria
The liabilities in question are recorded upon receipt of the amounts collected or, in the case of debt securities, at the time of issue or at the time of a new placement, or cancelled, even in the case of repurchase, on the "settlement date" principle and cannot be transferred to the portfolio of liabilities held for trading. The initial recognition is carried out on the basis of fair value, normally equal to the amount collected or issue price, adjusted for any costs and revenues directly attributable to the various collection or issue transactions. Internal administrative costs are excluded. The fair value of any financial liabilities issued at less than market conditions is estimated and the difference with respect to the market value is booked directly to the income statement. Structured securities are separated into their constituent elements, which are recorded separately, when the derivative components implicit in them have an economic nature and risks different from those of the underlying securities and can be configured as autonomous derivative instruments.

(c) Measurement criteria
After initial recognition, the valuations of financial liabilities are based on the principle of amortised cost using the effective interest rate method, with the exception of short-term liabilities where the time factor is negligible, which remain recognised at the value collected and any costs charged to the income statement on a straight-line basis over the contractual duration of the liabilities.

(d) Derecognition criteria
Financial liabilities are derecognised upon maturity or extinction. Derecognition also occurs when previously issued securities are repurchased; the difference between the book value of the liabilities and the amount paid to purchase them is recorded in the income statement. A new placement in the market of own securities after their repurchase is considered as a new issue and posted at the new price of placement, with no impact on the income statement.

12 - Financial liabilities held for trading

(a) Classification criteria
This item includes trading derivatives with a negative fair value, including implicit derivatives present in structured financial instruments and separated from them for accounting purposes. Also included are any "technical overdrafts" arising from trading in securities.
The item also includes, starting from the first quarter of 2021, the certificates issued by Banca Profilo, in consideration of the fact that these are financial instruments issued with the aim of making a short-term profit, to be kept also through active management of the product and of the related management hedges, in the presence of the repurchases that took place before the maturity of the instrument. In relation to the complexity of the strategies underlying these products, and with the intent of pursuing a substantial representation based on the prevalence or otherwise of the guaranteed component over the variable component, depending on the performance of the underlying, the certificates are accounted for in financial liabilities held for trading among "other securities" or as "financial derivatives" depending on whether or not they provide for the return of the premium unconditionally above a certain threshold with respect to the premium initially paid by customers.

(b) Recognition criteria
Derivatives are recognised on the "trade date" while transactions in securities are recognised on the "settlement date".
Financial liabilities held for trading are initially recorded at fair value, i.e. at purchase price.

The initial recognition of the certificates is at fair value, i.e. at the sale price. The recognition is carried out on the trade date in the case of derivative instruments or on the settlement date in the case of transactions in securities.

(c) Measurement criteria

Subsequent to initial recognition, financial liabilities held for trading are measured at fair value determined in the manner described in the section on "Financial assets measured at fair value through profit and loss". Financial instruments for which it is not possible to determine the fair value reliably in accordance with the above, are kept at cost. The results of measurement and trading are recorded in the income statement under item 80 "Net profit (loss) from trading".
As regards the certificates issued by Banca Profilo, even though they are traded on the SeDeX Market, it does not include all the characteristics to be considered an "active market" and therefore the valuation of the certificates is carried out using a mark-to-model valuation technique determined by two components: performance of the underlying and creditworthiness of the issuer. In this way, for the purposes of the "fair value determination hierarchy", the certificates are classified at "level 2".

(d) Derecognition criteria

Financial liabilities held for trading are derecognised when the contractual rights to the cash flows deriving from the liabilities expire or when the financial instruments are sold.

13 – Financial liabilities designated at fair value

Banca Profilo currently has no liabilities classifiable under this item.

14 – Foreign currency transactions

(a) and (b) Classification and Initial Entry Criteria

Foreign currency transactions are represented by all assets and liabilities denominated in currencies other than the euro, which is the functional currency used by Banca Profilo corresponding to that of the economic environment in which it operates. They are initially recognised in the currency of account using the spot foreign-exchange rates on the date of each transaction.

(c) Measurement criteria

At the end of each financial year or interim period, financial statement items in foreign currency are measured as follows:

- monetary items are converted using the exchange rate on the closing date;
- non-monetary items valued at historical cost are converted using the exchange rate on the date of the transaction;
- non-monetary items that are measured at fair value are converted at the exchange rate on the closing date.

The exchange rate differences resulting from settlement of monetary items or from the conversion of monetary items at rates other than the initial conversion rates, or at the conversion rates of the prior financial statements, are recorded in the income statement under item 80 "Net profit (loss) from trading".
Exchange rate differences relating to items for which measurements are recognised in shareholders' equity, for example Financial assets measured at fair value through other comprehensive income, are recognised in the income statement.
When a profit or a loss on a non-monetary element is recognised in shareholders' equity, the exchange rate difference in relation to said element is also posted to shareholders' equity. Conversely, when a profit or loss is recognised in the income statement, the relative exchange rate difference is also recognised there.

15 - Other information

Employee severance indemnity

On the basis of the new rules governing employee severance indemnity, introduced by the Italian Legislative Decree of 5 December 2005, the employee severance indemnity, referred to under item 110 of liabilities as regards the amounts accrued up to 31 December 2006, is configured as a defined benefit plan and is therefore subject to actuarial valuation using the Projected Unit Credit Method (PUCM), which provides for the projection of future disbursements on the basis of historical, statistical and probabilistic analyses as well as the adoption of appropriate demographic technical bases; the financial discounting of flows is also based on a market interest rate. This actuarial calculation is carried out by independent actuaries.
The costs for the plan are recorded among personnel expenses (item 160 "Administrative expenses; a) personnel expenses") as the net amount of contributions paid, contributions of prior periods not yet recorded, accrued interest, expected revenues from the assets of the plan. Actuarial gains and losses, as required by IAS 19, are recognised in a valuation reserve.

Treasury shares

Any treasury shares held by the company are recorded under item 170 "Treasury shares", deducted from shareholders' equity.
Gains or losses resulting from the purchase, sale, issue or cancellation of treasury shares are not recorded in the income statement, but are recorded in shareholders' equity under item 140 "Reserves".

Interim dividends

In light of the economic and equity results achieved in the first nine months of the year, and also thanks to the extraordinary components deriving from the sale of the Swiss subsidiary, as well as taking into account the lack of recommendations expressed by the competent Authorities on the subject of dividends, the Board of Directors, in the meeting of 4 November 2021, having ascertained the existence of all the conditions envisaged by the law, resolved the distribution of an interim dividend to be made on 24 November 2021 based on the economic results for 2021. The approved dividend is equal to € 0.016 per share, gross of statutory deductions where applicable, as there are no contraindications deriving from the foreseeable results for the fourth quarter of 2021, also in consideration of the capital ratios recorded as at 30 September 2021; in addition, the auditing company Deloitte & Touche S.p.A. issued the opinion required by article 2433-bis of the Italian Civil Code. The total amount of the advance is equal to € 10.5 million and is included in the specific item of the Balance Sheet Liabilities provided for by circular no. 262 of the Bank of Italy called "Advances on dividends".

Costs and revenues

Costs are recorded in the accounts at the time they are incurred. Costs directly attributable to financial instruments valued at amortised cost and determinable from the outset, regardless of when they are settled, are charged to the income statement by applying the effective interest rate, for a definition of which reference should be made to "Financial assets measured at amortised cost".
Revenues, in compliance with IFRS 15, derive from contractual obligations with customers and are recognised in the financial statements only if all of the following criteria are met simultaneously:

- the parties to the contract have approved the contract and are committed to fulfilling the relative obligations;
- the entity can identify the rights of each of the parties as regards the goods or services to be transferred;
- the entity can identify the payment terms of the goods or services to be transferred;
- the contract has commercial substance (risk, timescale or amount of future cash flows of the entity are destined to change after the contract);
- the entity is likely to receive the consideration to which it is entitled in exchange for the goods or services that will be transferred to the customer. In evaluating the likelihood of receiving the amount of the consideration, the entity must only take account of the customer's intention and capacity to pay the amount of the consideration when due.

If the consideration is variable, the amount of the consideration to which the entity will be entitled may be recognised if it can be reliably estimated and it is highly probable that the consideration will not be reversed in subsequent periods.
The consideration for the contract, the collection of which as mentioned above must be probable, is allocated to the individual obligations arising from the same. If a contract with customers provides for the provision of a package of services to the customer against a total annual fee, these services constitute different "performance obligations" for the purposes of recording the consideration in the financial statements, among which the Bank allocates the price of the transaction on the basis of the relevant separate sale price.
Revenues are recognised over time, depending on the timing of fulfilment of the obligations, either in a lump sum or alternatively over the duration of the period for fulfilment of the various obligations.

With reference to revenues from financial assets, the following should be noted:

- Interest is recognised according to a time criterion that considers the actual yield of the asset. Negative income components accrued on financial assets are recorded under "Interest expenses and similar charges"; positive income components accrued on financial liabilities are recorded under "Interest income and similar revenues".
- Interest on arrears is posted to item "10. Interest income and similar revenues", exclusively at the moment it is actually collected.
- Dividends are accounted for when the right of shareholders to receive the payment arises.
- Costs or revenues deriving from the buying/selling of financial instruments, determined by the difference between the consideration paid or collected of the transaction and the fair value of the instrument are booked to the income

statement at the time of recognition of the financial instrument solely where the fair value is determined:
- by making reference to current and observable market transactions regarding the same instrument;
- through valuation techniques that use, as variables, solely data deriving from observable markets.

Employee stock option plans

The stock option plans are divided into two types, with different accounting methods depending on the characteristics of the plan:
- equity settled: these are plans in which the beneficiary is granted the right to purchase shares in the company at a fixed price if specific conditions are met. In such cases, the fair value of the option, determined at the time it is granted, is recognised as a cost in the income statement over the life of the plan, with a contra-entry increase in equity reserves;
- cash settled: these are plans in which the beneficiary directly receives the monetary value of the benefit deriving from the theoretical exercise of the stock option. The fair value of the option, determined at the time it is granted, is recognised as a cost in the income statement over the life of the plan, with a contra-entry payable in the balance sheet. The relative entitled amounts of the total cost are recalculated at each reporting date on the basis of the fair value recognition adjustment which, when due, is equivalent to the payment to be made to the employee.

TLTRO III financing operations

On 15 June 2020, the Bank adhered to the fourth auction of the TLTRO III (Targeted Longer Term Refinancing Operation). The interest rate relating to each transaction is set at a level equal to the average level of the Eurosystem's main refinancing operations (MRO), currently equal to 0%, except, in the case of the fourth auction, for the period between 24 June 2020 and 23 June 2022, defined as the "special interest rate period", for which a lower rate of 50 basis points will be applied, and a further reduction in the interest rate for banks that provide net eligible loans greater than a reference value called "benchmark net lending" and defined on the basis of the dynamics of disbursements observable in the period between 1 March 2020 and 31 March 2021. This further reduction corresponds to the average rate on deposits with the central bank (Deposit Facility Rate), currently equal to -0.5%, and is valid over the entire duration of the operation, with the exception of the "special interest rate period", to which is added an automatic reduction of 50 basis points. In any case, the cap of the transaction rate cannot exceed -1%.

In December 2021, Banca Profilo repaid in advance the amount received as part of the fourth TLTRO-III auction, and at the same time adhered to the tenth auction. Following the early redemption, the additional benefit for exceeding the net lending benchmark for the period from 23 June 2021 to the early redemption date no longer applies.

As regards the interest rate applicable to the tenth auction, in the event that the net eligible loans in the additional special reference period (from 1 October 2020 to 31 December 2021) are at least equal to the respective net lending benchmark, the rate applied will be equal to the average rate on deposits with the central bank, with the exception of the period between 24 June 2021 and 23 June 2022 (additional special interest rate period), in which the rate will be 50 basis points lower, and in any case not higher than -1%. If the net eligible loans in the additional special reference period are lower than the respective net lending benchmark, the average rate of the main refinancing transactions calculated over the entire duration of the respective transaction will be applied, with the exception of the additional special interest rate period, in which the average rate of the main refinancing transactions in the additional special interest rate period reduced by 50 basis points will be applied.

Banca Profilo applies the accounting treatment defined pursuant to IFRS 9 to TLTRO III transactions. In particular, the Bank has agreed that:
- the financial liability TLTRO III represents a financing instrument measured at amortised cost pursuant to IFRS 9.4.2.1.;
- the related interest is calculated using the "effective interest method", which divides the interest income over the period of application of the "effective interest rate";
- the refinancing conditions defined by the ECB are considered as "market rates" in the context of Eurosystem monetary policy measures, therefore:
  - interest is recognised from time to time on the basis of the interest rate of the instrument for each period as required by paragraph B5.4.5 of IFRS 9;
  - any revisions to the estimate of cash flows would be recognised in application of the provisions of paragraph B5.4.6 of IFRS 9, with the recalculation of the amortised cost of the financial liability.

For the purposes of preparing the financial statements as at 31 December 2021, having exceeded the net lending benchmark at the end of the observation period, the additional contribution with respect to the average "Deposit Facility Rate" applicable to the tenth TLTRO auction is equal to € 11 thousand overall.

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

A.3.1 Reclassified financial assets: change in business model, book value and interest income

Banca Profilo has not changed its "business model" relating to the management of financial instruments, defined on first-time adoption of IFRS 9. No reclassifications were carried out among financial assets during the year.

A.3.2 Reclassified financial assets: change in business model, fair value and effects on comprehensive income

Banca Profilo has not changed its "business model" relating to the management of financial instruments, defined on first-time adoption of IFRS 9. No reclassifications were carried out among financial assets during the year.

A.3.3 Reclassified financial assets: change in business model and effective interest rate

Banca Profilo has not changed its "business model" relating to the management of financial instruments, defined on first-time adoption of IFRS 9. No reclassifications were carried out among financial assets during the year.

A.4 – Information on fair value

QUALITATIVE INFORMATION

A.4.1 – Fair value level 2 and 3: measurement techniques and inputs used

If a financial instrument cannot be listed on an active market, Risk Management determines its fair value by applying a measurement technique. For this purpose, all relevant market information available in any way shall be taken into account.

As part of the process of determining the fair value of a security not traded in an active market, the following measurement techniques are commonly applied:

- prices of recent transactions or market contributions/listings available at the valuation date, even if they relate to a market considered inactive;
- measurements provided by the issuer or by a calculation agent or in any case by an external evaluation service in the specific manner described below;
- mark-to-model measurements, i.e. obtained using a pricing model appropriate for the type of financial instrument to be valued, fed by market data relevant to the valuation.

When calculating the fair value of a financial instrument not listed on an active market, first of all the existence of recent transactions on the same or a similar financial instrument (by issuer, duration and degree of subordination) shall be verified. Appropriate adjustments are made to the price of these transactions in order to determine their fair value:

- time differences between the observed transaction day and the measurement day: adjustments shall take account of movements in market factors that have occurred in the meantime (e.g. movements in interest rate curves) or changes in factors specific to the financial instrument being measured (e.g. downgrading of the issuer of a security);
- differences between the instrument being measured and the similar instrument on which the transaction was recorded: the adjustments take into account the different duration of the two instruments or the greater complexity of one compared to the other (which may lead market participants to request a higher liquidity premium on one instrument compared to the other, especially in particular market conditions).

The measurements provided by the issuer or by a calculation agent or external valuation service, since they are not prices resulting from actual market transactions, are considered with particular caution and subject to consistency checks by the Bank, based on available market information.

The most commonly used measurement models are the so-called discounted cash flow models. There are two different methodologies in this regard: a) calculation of contractual cash flows and subsequent discount with a market return consistent with the riskiness of the financial instrument; b) calculation of cash flows already weighted for the probability of survival of the counterparty (so-called non-default probability) and subsequent discount on the basis of a free risk rate of return. The factors that are taken into account in determining the risk-adjusted rate of return or the probability of survival of the counterparty are as follows:

- the maturity date of the expected cash flows;
- any uncertainty regarding the amount or maturity of cash flows;
- the credit risk;
- the liquidity of the instrument;

- the reference currency in which payments are to be made.

With particular reference to credit risk, the spreads recorded on listed securities of the same issuer with similar duration and liquidity characteristics, those recorded on credit default swaps on the same issuer with the same maturity or those recorded on issuers with similar risk characteristics (by rating, sector, country) are alternately taken into account.

In the case of the use of a measurement technique that includes a parameter not directly observable on a market (for example, the liquidity spread of a security or the volatility for some unlisted options), this parameter will normally be determined on the basis of the price of the initial transaction, so as to have a valuation on the day of the transaction equal to the actual price of the same (so-called day one profit equal to zero). In such cases, the non-observable parameter shall be kept constant in subsequent valuations unless other transactions on the same or a similar instrument give clear indications that market conditions have changed since the initial situation.

A.4.2 Measurement processes and sensitivity

The financial instruments classified as level 3 amount to a total gross value of € 10.1 million in the financial statements. Based on the criteria set out in the paragraph below, the following were classified as fair value level 3:

- inflation zc securities which, in the sensitivity tests carried out, following a spread movement of 10 basis points, recorded a price change determined at model level of more than 1% (for a total value of the portfolio in the region of €1.0 million);
- two minority shareholdings classified under financial assets valued at fair value with an impact on comprehensive income, in fintech companies with which Banca Profilo has developed product partnerships with reference to the development of digital channels and Robo-management. The total book value of these investments is equal to €9.1 million as at 31 December 2021. The sensitivity analysis on the assumptions underlying the valuation places their value in a range that fluctuates between € 8.7 and 9.6 million.

A.4.3 Fair value hierarchy

Financial instruments are classified in three hierarchical levels, depending on how their fair value is determined and the observability of the parameters used for their valuation.

In particular, the three classes of fair value are as follows:

- Level 1: financial instruments listed on active markets and valued on the basis of their market price, without adjustment. By way of example, this category usually includes listed shares, government securities, bonds listed on active markets (identified on the basis of the parameters indicated below) and regulated derivatives;
- Level 2: financial instruments valued on the basis of techniques and models that use observable input data on an active market; instruments in this category are valued using: a) market prices of similar instruments or prices of the same instruments found on markets considered inactive; b) valuation techniques where all inputs that have a significant impact on the valuation are directly or indirectly based on observable market data. By way of example, this category includes some unlisted or delisted shares, bonds listed on markets deemed inactive for which there are in any case recent market transactions or contributions deemed sufficiently indicative, the majority of the over-the-counter derivatives concluded by the Bank;
- Level 3: financial instruments valued using techniques and models using at least one input parameter that is not based on observable market data and that has a significant impact on their overall valuation. The significance of the impact is judged on the basis of predetermined thresholds and a sensitivity analysis. By way of example, this category may include some unlisted or delisted shares, some structured bonds not listed on active markets, structured or exotic over-the-counter derivatives for the valuation of which an input parameter that cannot be inferred from market data is significant.

For the purpose of identifying Level 1 instruments, a financial instrument shall be considered to be listed on an active market if prices are readily and regularly available and represent actual market transactions, which take place in normal trading between two counterparties. In relation to this definition, the Bank has identified two conditions for a financial instrument to be considered listed on an active market:

1. the instrument must be traded on a regulated market or an alternative stock exchange;
2. the price expressed by that market must be "significant", i.e. the result of regular and effective transactions between counterparties who freely decide to buy and sell and are not forced to do so by their particular stress conditions.

The listing on a regulated market, therefore, is in itself neither a necessary nor sufficient condition for an active market to be considered as such. Verifying the significance of the price and the degree of market activity is a complex process, which requires the intervention of a subjective valuation: it is not possible, in fact, to establish rigid rules, to be applied automatically regardless of market conditions and/or the specific characteristics of the financial instrument to be valued. The judgement, however, although subjective, is not arbitrary and is expressed taking into account a series of objective reference parameters, of a qualitative and quantitative nature, relating to the size and depth of the market and the price formation mechanisms. In particular, the following parameters are taken into account:

- trading volumes and frequency of trading: where available, these parameters constitute a direct index of market depth and the significance of the listing price;
- price variability: the measurement of price variations over time must be compatible with that of securities of the same currency, similar duration and creditworthiness; in other words, the price must vary according to a dynamic traceable to the market variables that determine its return and must not present discontinuities of such a magnitude that they cannot be justified by the trend of the relevant market factors;
- price availability and frequency of updating: the historical price series must be continuously and frequently updated; in principle, this condition is deemed to be met if, over the last month, different prices have been found in at least half of the working days of the period;
- in the case of a security being traded on an alternative stock exchange, existence of a sufficient number of market makers and relevant listings: the security must be traded by a sufficient number of intermediaries to ensure the constancy of price formation and its effective executability; in principle, this condition is deemed to be met if: i) listings from at least three different brokers are available; ii) the bid/ask spreads of the brokers' listings are not more than 1%; iii) the mid-prices of the different brokers are within a range not exceeding 1%.

From an organisational point of view, the classification according to the fair value hierarchy of all financial instruments included in the Bank's portfolio is carried out by the Risk Management Function.

With particular reference to several bond index CDSs, which are part of an arbitrage strategy (in which Banca Profilo simultaneously takes a CDS position on an index and a CDS opposite sign position on the single names that make up the same index), the model valuation is based on the following steps:

1. on the day of the transaction, on the basis of the upfront collected on the "package" (index CDS + single names CDS) and therefore of the difference between the market value of the index CDS and the sum of the market values of the single names CDS, the amount of the skew expressed in basis points on the credit curve is determined; this value, which cannot be observed in the market prices and therefore not detectable except with a new transaction on the same "package", is kept constant in subsequent valuations;
2. on the day of the valuation, based on the sum of the current market values of the single names CDS, the intrinsic spread is determined, i.e. the credit curve that would determine a CDS valuation on the index equal to the sum of the single names CDS valuations;
3. to the intrinsic spread determined in point 2), the skew referred to in point 1) is then added, calculated on the day of the transaction and kept constant; the credit curve thus obtained (sum of the current intrinsic spread and the original skew) is that used for the index CDS model valuation.

A 4.4 Other information

Almost all transactions in OTC derivatives are backed by collateralisation contracts with daily margining that substantially mitigate counterparty risk. The criteria for the valuation of the derivative portfolio take account of these guarantees with particular reference to the determination of CVA and DVA. For information on the so-called "highest and best use" required by IFRS 13, please refer to that described at the end of table "A.4.5.4".

QUANTITATIVE INFORMATION

A.4.5 Fair value hierarchy

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

Financial assets/liabilities measured at fair value	31/12/2021			31/12/2020		
	L1	L2	L3	L1	L2	L3
1. Financial assets measured at fair value through profit and loss	269,568	110,523	-	293,395	116,234	38
a) financial assets held for trading	269,568	110,523	-	293,395	116,234	-
b) financial assets designated at fair value	-	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	-	-	-	-	-	38
2. Financial assets measured at fair value through other comprehensive income	199,516	11,975	10,132	148,691	27,633	17,265
3. Hedging derivatives	-	1,444	-	-	405	-
4. Property, plant and equipment	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	**469,084**	**123,942**	**10,132**	**442,086**	**144,273**	**17,304**
1. Financial liabilities held for trading	54,850	42,463	-	37,008	73,529	-
2. Financial liabilities measured at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	52,399	-	-	32,693	-
Total	**54,850**	**94,862**	**-**	**37,008**	**106,222**	**-**

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

The impact of the "CVA" and "DVA" on the determination of the fair value of derivative financial instruments at individual level amounts to € 152 thousand and € 130 thousand respectively.

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

	Financial assets measured at fair value through profit and loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Property, plant and equipment	Intangible assets
	Total	of which: a) financial assets held for trading	of which: b) financial assets designated at fair value	of which: c) other financial assets mandatorily measured at fair value				
1. Opening balances	**38**	**-**	**-**	**38**	**17,265**	**-**	**-**	**-**
2. Increases	**-**	**-**	**-**	**-**	**1,874**	**-**	**-**	**-**
2.1. Purchases	-	-	-	-	1,500	-	-	-
2.2. Profits recognised in:	-	-	-	-	340	-	-	-
2.2.1. Income Statement	-	-	-	-	256	-	-	-
- of which capital gains	-	-	-	-	-	-	-	-
2.2.2. Shareholders' equity	-	X	X	X	84	-	-	-
2.3. Transfers from other levels	-	-	-	-	-	-	-	-
2.4. Other increases	-	-	-	-	34	-	-	-
3. Decreases	**38**	**-**	**-**	**38**	**9,008**	**-**	**-**	**-**
3.1. Sales	-	-	-	-	7,344	-	-	-
3.2. Redemptions	-	-	-	-	-	-	-	-
3.3. Losses recognised in:	38	-	-	38	1,152	-	-	-
3.3.1. Income Statement	38	-	-	38	-	-	-	-
- of which capital losses	38	-	-	38	-	-	-	-
3.3.2. Shareholders' equity	-	X	X	X	1,152	-	-	-
3.4. Transfers from other levels	-	-	-	-	-	-	-	-
3.5. Other decreases	-	-	-	-	512	-	-	-
4. Closing balances	**-**	**-**	**-**	**-**	**10,132**	**-**	**-**	**-**

Item 3.3.2 - Losses recognised in Shareholders' equity includes the effects of the valuation of minority interests in fintech companies.

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

Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	31/12/2021				31/12/2020			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets measured at amortised cost	970,236	353,475	7,766	613,446	796,176	314,405	10,380	486,085
2. Property, plant and equipment held for investment								
3. Non-current assets and disposal groups classified as held for sale					26,053			
Total	**970,236**	**353,475**	**7,766**	**613,445**	**822,229**	**314,405**	**10,380**	**486,085**
1. Financial liabilities measured at amortised cost	1,324,588			1,324,588	1,228,915			1,228,915
2. Liabilities associated with disposal groups classified as held for sale								
Total	**1,324,588**	**-**	**-**	**1,324,588**	**1,228,915**	**-**	**-**	**1,228,915**

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

With regard to the determination of the fair value of financial instruments, reference should be made to Part A.1 section 4 of the Bank's accounting policies.

Financial assets measured at amortised cost include both securities held by the bank (broken down by fair value level) and loans and advances to banks and customers, all of which have been classified at level 3. Since these are mainly non instalment transactions or transactions with a maturity of less than one year, the book value is considered an adequate approximation of fair value, which entails classification in level 3 of the hierarchy. Exposures in mortgages and Lombard loans are also classified as level 3 in lombard loans and advances to customers.

A.5 - INFORMATION ON THE SO-CALLED DAY ONE PROFIT/LOSS

As at 31 December 2021 there were no day one profit transactions in place.

PART B - Information on the Balance Sheet

ASSETS

Section 1 – Cash and cash equivalents – Item 10

1.1 Cash and cash equivalents: breakdown

	Total 31/12/2021	Total 31/12/2020
a) Cash	196	216
b) Current accounts and demand deposits with Central Banks	6,859	29,507
c) Current accounts and demand deposits with banks	17,672	52,202
Total	**24,727**	**81,925**

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

2.1 Financial assets held for trading: breakdown by product

Items/Amounts	Total 31/12/2021			Total 31/12/2020		
	L1	L2	L3	L1	L2	L3
A. On-Balance sheet assets						
1. Debt securities	135,318	73,017	-	157,267	44,784	-
1.1 Structured securities	114	15,391	-	5,238	7,946	-
1.2 Other debt securities	135,204	57,626	-	152,029	36,838	-
2. Equity securities	88,097	-	-	82,503	-	-
3. Units of UCITS	2,425	1,040	-	1,279	1,219	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total (A)	**225,840**	**74,057**	**-**	**241,049**	**46,003**	**-**
B. Derivative Instruments						
1. Financial derivatives	43,728	28,332	-	52,346	37,162	-
- 1.1 trading	43,728	28,332	-	52,346	37,162	-
- 1.2 connected with the fair value option	-	-	-	-	-	-
- 1.3 other	-	-	-	-	-	-
2. Credit derivatives	-	8,134	-	-	33,069	-
2.1 trading	-	8,134	-	-	33,069	-
2.2 connected with the fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total (B)	**43,728**	**36,466**	**-**	**52,346**	**70,231**	**-**
Total (A+B)	**269,568**	**110,523**	**-**	**293,395**	**116,234**	**-**

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

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

Items/Amounts	Total 31/12/2021	Total 31/12/2020
A. ON-BALANCE SHEET ASSETS		
1. Debt securities	208,334	202,050
a) Central Banks	-	-
b) Public administration	105,232	94,796
c) Banks	70,354	71,059
d) Other financial companies	13,028	15,589
of which: insurance companies	62	150
e) Non-financial companies	19,720	20,606
2. Equity securities	88,098	82,504
a) Banks	27,055	30,751
b) Other financial companies	5,079	16,447
of which: insurance companies	288	11,268
c) Non-financial companies	55,964	35,306
d) Other issuers	-	-
3. Units of UCITS	3,465	2,498
4. Loans	-	-
a) Central Banks	-	-
b) Public administration	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total (A)	**299,897**	**287,052**
B. DERIVATIVE INSTRUMENTS	**-**	**-**
a) Central Counterparties	45,438	52,360
b) Other	34,756	70,217
Total (B)	**80,194**	**122,577**
Total (A+B)	**380,091**	**409,629**

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

Items/Amounts	Total 31/12/2021			Total 31/12/2020		
	L1	L2	L3	L1	L2	L3
1. Debt securities	-	-	-	-	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equity securities	-	-	-	-	-	38
3. Units of UCITS	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total	-	-	-	-	-	38

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

The item "Equity securities" - level 3 - only included the financial instruments subscribed as part of the support to Banca Carige through the Voluntary Scheme, fully depreciated in the financial year 2021.

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

	Total 31/12/2021	Total 31/12/2020
1. Equity securities	-	38
of which: banks	-	-
of which: other financial companies	-	-
of which: non-financial companies	-	38
2. Debt securities	-	-
a) Central Banks	-	-
b) Public administration	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
3. Units of UCITS	-	-
4. Loans	-	-
a) Central Banks	-	-
b) Public administration	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	-	38

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

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

Items/Amounts			Total 31/12/2021			Total 31/12/2020
	L1	L2	L3	L1	L2	L3
1. Debt securities	**196,802**	**11,630**	**1,022**	**145,858**	**27,285**	**8,504**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	196,802	11,630	1,022	145,858	27,285	8,504
2. Equity securities	**2,714**	**345**	**9,110**	**2,833**	**348**	**8,762**
3. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**199,516**	**11,975**	**10,132**	**148,691**	**27,633**	**17,265**

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

The Bank has classified in this category, in addition to debt securities, some equities deriving from minority shareholdings, including the companies Fintech Tinaba and MDOTM, with which Banca Profilo has developed product partnerships with reference respectively to the development of digital channels and Robo-management.

Banca Profilo has classified in this category, in addition to debt securities, certain equity securities deriving from minority and strategic interests, in particular Tinaba, MdotM, First Capital and Profilo Holding, as well as some listed corporate shares.

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

Items/Amounts	Total 31/12/2021	Total 31/12/2020
1. Debt securities	**209,454**	**181,647**
a) Central Banks	-	-
b) Public administration	170,457	96,214
c) Banks	10,926	31,229
d) Other financial companies	9,580	16,973
of which: insurance companies	-	-
e) Non-financial companies	18,491	37,231
2. Equity securities	**12,169**	**11,942**
a) Banks	-	-
b) Other issuers:	12,169	11,942
- other financial companies	349	353
of which: insurance companies	-	-
- non-financial companies	11,820	11,590
- other	-	-
3. Loans	**-**	**-**
a) Central Banks	-	-
b) Public administration	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**221,623**	**193,589**

3.3 Financial assets measured at fair value through other comprehensive income: gross value and overall value adjustments

	Gross value					Overall value adjustments				
	Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Impaired, acquired, or originated	Stage 1	Stage 2	Stage 3	Impaired, acquired, or originated	Total partial write-offs*
Debt securities	209,575	209,575	-	-	-	122	-	-	-	-
Loans	-	-	-	-	-	-	-	-	-	-
Total 31/12/2021	**209,575**	**209,575**	**-**	**-**	**-**	**122**	**-**	**-**	**-**	**-**
Total 31/12/2020	**181,757**	**181,757**	**-**	**-**	**-**	**100**	**-**	**-**	**-**	**-**

**Value to be presented for disclosure purposes*

A portion of the bonds in the portfolio of financial assets measured at fair value through other comprehensive income (HTCS) is subject to micro hedge. The strategy for managing this portfolio is to immunise its fair value from movements in interest rates and inflation rate, leaving it exposed only to movements in the credit spreads of the issuers of the securities purchased. To this end, in the event of the purchase of fixed-rate or inflation-linked securities, special hedging derivatives were entered into which transformed the overall payoff of the investment (security plus derivative) into that of a variable-rate security. As at 31 December 2021, out of a notional amount of bonds in the HTCS portfolio of € 198.2 million, € 93.5 million is subject to micro hedge with reference to interest rate risk.

3.3a Loans measured at fair value through other comprehensive income subject to COVID-19 support measures: gross value and overall value adjustments

Banca Profilo does not hold loans classified among the financial assets measured at fair value through other comprehensive income.

Section 4 – Financial assets measured at amortised cost – Item 40

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

Type of transactions/Amounts	Total 31/12/2021						Total 31/12/2020					
	Book value			Fair Value			Book value			Fair Value		
	Stage 1 and 2	Stage 3	Impaired, acquired, or originated	L1	L2	L3	Stage 1 and 2	Stage 3	Impaired, acquired, or originated	L1	L2	L3
A. Loans and advances to Central Banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Time deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Compulsory reserves	-	-	-	X	X	X	-	-	-	X	X	X
3. Reverse repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	-	-	-	X	X	X	-	-	-	X	X	X
B. Loans and advances to banks	**67,896**	**-**	**-**	**2,681**	**6,752**	**58,596**	**99,578**	**-**	**-**	**7,319**	**9,355**	**83,193**
1. Loans	58,596	-	-	-	-	58,596	83,193	-	-	-	-	83,193
1.1 Current accounts	-	-	-	X	X	X	-	-	-	X	X	X
1.2. Time deposits	6,768	-	-	X	X	X	6,966	-	-	X	X	X
Other loans: Other loans:	51,828	-	-	X	X	X	76,227	-	-	X	X	X
- Reverse repurchase agreements	12,465	-	-	X	X	X	36,526	-	-	X	X	X
- Financing for lease	-	-	-	X	X	X	-	-	-	X	X	X
- Other	39,363	-	-	X	X	X	39,701	-	-	X	X	X
2. Debt securities	9,300	-	-	2,681	6,752	-	16,385	-	-	7,319	9,355	-
2.1 Structured securities	879	-	-	-	883	-	791	-	-	-	812	-
- 2.2 Other debt securities	8,421	-	-	2,681	5,869	-	15,594	-	-	7,319	8,543	-
Total	**67,896**	**-**	**-**	**2,681**	**6,752**	**58,596**	**99,578**	**-**	**-**	**7,319**	**9,355**	**83,193**

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

Loans and advances to banks decreased by € 31.7 million, from € 99.6 million as at 31 December 2020 to € 67.9 million as at 31 December 2021.
This item also contains securities issued by banks classified as financial assets at amortised cost. As at 31 December 2021, out of a nominal amount of bonds issued by banks in the HTC portfolio of € 9.8 million, none is subject to micro hedging with reference to interest rate risk.

With regard to term deposits and reverse repurchase agreements, since these are short-term receivables and are settled at market conditions, it is believed, also on the basis of a precise valuation of the counterparties involved, that the book value approximates their fair value.

The aggregate also includes the amount of € 6.8 million relating to the deposit, made indirectly, for the compulsory reserve, in accordance with the Bank of Italy regulations.

4.2 Financial assets measured at amortised cost: breakdown of loans and advances to customers

Type of transactions/Amounts	Total 31/12/2021						Total 31/12/2020					
	Book value			Fair Value			Book value			Fair Value		
	Stage 1 and 2	Stage 3	Impaired, acquired, or originated	L1	L2	L3	Stage 1 and 2	Stage 3	Impaired, acquired, or originated	L1	L2	L3
1. Loans	**549,167**	**5,683**	**-**	**-**	**-**	**554,850**	**401,961**	**931**	**-**	**-**	**-**	402,892
1.1. Current accounts	250,862	2,691	-	X	X	X	237,020	520	-	X	X	X
1.2. Reverse repurchase agreements	123,216	-	-	X	X	X	50,779	-	-	X	X	X
Other loans: Mortgages	89,761	2,608	-	X	X	X	51,436	-	-	X	X	X
1.4. Credit cards and personal loans, incl. salary backed loans	-	-	-	X	X	X	-	-	-	X	X	X
X 1.5 Financing for lease	-	-	-	X	X	X	-	-	-	X	X	X
1.6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
1.7. Other loans	85,328	384	-	X	X	X	62,726	411	-	X	X	X
2. Debt securities	**347,490**	**-**	**-**	**350,795**	**1,014**	**-**	**294,636**	**-**	**-**	**307,086**	**1,025**	**-**
2.1. Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Other debt securities	347,490	-	-	350,795	1,014	-	294,636	-	-	307,086	1,025	-
Total	**896,657**	**5,683**	**-**	**350,795**	**1,014**	**554,850**	**696,598**	**931**	**-**	**307,086**	**1,025**	**402,892**

Loans and advances to customers increased by € 204.8 million from € 697.5 million at 31 December 2020 to € 902.3 million at 31 December 2021.
This item also contains securities of "customer" issuers classified as financial assets at amortised cost. As at 31 December 2021, out of a notional amount of bonds, not issued by banks, in the HTC portfolio of € 300.5 million, € 184.0 million is subject to micro hedging with reference to interest rate risk.

Impaired assets have a gross exposure of € 11,526.2 thousand against which specific value adjustments of € 5,842.8 thousand have been made with a hedge of 50.7%. Impaired assets are attributable to bad loans, unlikely to pay and past due loans and/or overdue impaired loans to private and corporate customers.

4.3 Financial assets measured at amortised cost: breakdown by debtor/issuer of loans and advances to customers

Type of transactions/Amounts			Total			Total
			31/12/2021			31/12/2020
	Stage 1 and 2	Stage 3	Impaired, acquired, or originated	Stage 1 and 2	Stage 3	Impaired, acquired, or originated
1. Debt securities	**347,489**	**-**	**-**	**294,636**	**-**	**-**
a) Public administration	338,352	-	-	269,947	-	-
b) Other financial companies	1,507	-	-	13,780	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	7,631	-	-	10,910	-	-
2. Loans to:	**549,167**	**5,683**	**-**	**401,961**	**931**	**-**
a) Public administration	351	-	-	6	-	-
b) Other financial companies	245,101	1,866	-	136,274	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	112,724	3,514	-	89,192	681	-
d) Households	190,991	304	-	176,489	251	-
Total	**896,656**	**5,683**	**-**	**696,598**	**931**	**-**

4.4 Financial assets measured at amortised cost: gross value and overall value adjustments

	Gross value					Overall value adjustments				Total partial write-offs*
	Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Impaired, acquired, or originated	Stage 1	Stage 2	Stage 3	Impaired, acquired, or originated	
Debt securities	356,857	356,857	-	-		68	-	-		-
Loans	603,873	-	4,273	11,526		360	-	5,843		-
Total 31/12/2021	**960,730**	**356,857**	**4,273**	**11,526**		**427**	**-**	**5,843**		**-**
Total 31/12/2020	**796,070**	**311,116**	**698**	**5,477**		**584**	**9**	**4,545**		**-**
of which: impaired financial assets, acquired or originated	X	-	-	-		-	-	-		-

** Value to be presented for disclosure purposes*

4.4a Loans valued at amortised cost subject to COVID-19 support measures: gross value and total value adjustments

	Gross value					Overall value adjustments				Total partial write-offs*
	Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Impaired, acquired, or originated	Stage 1	Stage 2	Stage 3	Impaired, acquired, or originated	
1. Loans granted in compliance with the GL	-	-	-	3,013		-	-	405		-
2. Loans subject to moratorium measures in place no longer compliant with GL and not assessed as subject to concessions	-	-	-	-	-	-	-	-	-	-
3. Loans subject to other forbearance measures	-	-	-	-		-	-	-		-
4. New loans	41,167	-	1,003	-		35	4	-		-
Total 31/12/2021	**41,167**	**-**	**1,003**	**3,013**		**35**	**4**	**405**		**-**
Total 31/12/2020	**16,164**	**0**	**0**	**0**		**84**	**0**	**0**		**-**

** Value to be presented for disclosure purposes*

Section 5 – Hedging derivatives – Item 50

5.1 Hedging derivatives: breakdown by type of hedge and levels

	Fair Value 31/12/2021			NA 31/12/2021	Fair Value 31/12/2020			NA 31/12/2020
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives								
1. Fair value	-	1,444	-	53,211	-	405	-	23,865
2. Cash flows	-	-	-	-	-	-	-	-
3. Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives								
1. Fair value	-	-	-	-	-	-	-	-
2. Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**1,444**	**-**	**53,211**	**-**	**405**	**-**	**23,865**

Key:
NA = notional amount
L1= Level 1
L2= Level 2
L3= Level 3

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

Transactions/Type of hedge	Fair Value							Cash flows		Foreign investments
	Specific						Macro-hedge	Specific	Macro-hedge	
	debt securities and interest rates	equity securities and stock indices	currencies and gold	credit	commodities	other				
1. Financial assets measured at fair value through other comprehensive income	1,278	-	-	-	X	X	X	-	X	X
2. Financial assets measured at amortised cost	166	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	-	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**1,444**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- 1. Financial liabilities	-	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
- 1. Expected transactions	X	X	X	X	X	X	X	-	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	X	-	X	-	-

Section 7 – Equity investments – Item 70

7.1 Equity investments: information on shareholding

Company name	Registered address	Headquarters	Holding %	Voting rights %
A. Companies subject to exclusive control				
1. Profilo Real Estate S.r.l.	Milan	Milan	100	100
2. Arepo Fiduciaria S.r.l.	Milan	Milan	100	100
B. Companies controlled jointly				
C. Companies subject to significant influence				

Equity investments are recorded at acquisition cost net of any impairment losses that may be reversed if the reasons for them no longer apply.

Equity investments are tested for impairment annually, in order to verify whether there is evidence of reductions in value. Impairment testing requires verifying that the book value at which the individual investment is recorded is not higher than the highest value in use and the fair value less costs to sell.

With regard to other equity investments, taking into account the nature, size and historical and prospective profitability profile of the companies, as well as the full percentage held by Banca Profilo, the procedure that determines the recoverable value as Shareholders' equity of the companies as at 31 December 2021 is considered adequate. It should be noted that in the course of financial year 2021 the company Profilo Real Estate approved the distribution of the profit for financial year 2020 in the form of a dividend.

With reference to Profilo Real Estate, the investment is carried in the assets of Banca Profilo for € 25.2 million. The subsidiary distributed a dividend of € 0.7 million, corresponding to the distributable portion of the profit for financial year 2020. Following this distribution, the net equity before profit amounted to € 25.7 million, a value already higher than the book value of the investment in Banca Profilo's financial statements. The 2021 financial year also closed with a profit of € 613 thousand, thus bringing shareholders' equity at the end of 2021 to a total of € 26.3 million. The reliability of the valuation of the investment on the basis of its net assets is supported by the fact that the properties owned (corresponding to more than 97% of total assets) are subjected to an evaluation process on at least an annual basis by obtaining an appraisal from an external expert; it should also be noted that the profitability of the assets is stable, based on medium/long-term rents and referable to a property of certain attractiveness, the administrative costs are substantially stable over time, and also the ability to repay the loan has been constant in the past and equally stable in the future, in consideration of the ability to generate adequate cash flows for the repayment of the current debt position.

As far as Arepo Fiduciaria is concerned, the investment is carried in the assets of Banca Profilo for € 150 thousand. Shareholders' equity before profit amounted to € 333 thousand, and the profit being formed by the subsidiary for the year 2021 amounts to € 207 thousand, leading to a total shareholders' equity at 31 December 2021 equal to € 540 thousand. This amount is well above the book value of the investment in the individual financial statements of Banca Profilo. Shareholders' equity is considered to be a suitable criterion for the valuation of the investment in consideration of the stability of the entity's business, which is based on a stable fiduciary deposits over time, and whether the operating structure and the average profitability of the assets are stable; the track record of the last few years shows a positive and stable net result over time.

7.5 Equity investments: annual changes

	Total 31/12/2021	Total 31/12/2020
A. Opening balances	**25,395**	**51,448**
B. Increases		**-**
B.1 Purchases		-
- B.2 Reversals of impairment losses		-
- B.3 Revaluations		-
- B.4 Other changes		-
C. Decreases		**26,053**
C.1 Sales		-
C.2 Value adjustments		-
C.3 Write-downs		-
- C.4 Other changes		26,053
D. Closing balances	**25,395**	**25,395**
E. Total revaluations		
- F. Total adjustments		

It should be noted that the decrease relating to the previous year refers to the reclassification carried out in 2020 of the amount of € 26 million relating to the investment held in Banque Profil de Gestion from the item "Investments" from the item "Non-current assets and disposal groups held for sale" and commented on in "Section 11 of Part B – Assets" of these Explanatory Notes to which reference is made.

Section 8 - Property, plant and equipment - Item 80

8.1 Property, plant and equipment used in the business: breakdown of assets measured at cost

Assets/Amounts	Total 31/12/2021	Total 31/12/2020
1. Owned assets	**1,058**	**1,362**
a) land	-	-
b) buildings	-	-
c) furniture and furnishings	19	36
d) electronic equipment	2	3
e) other	1,037	1,324
2. Right-of-use of leased assets	**10,920**	**12,984**
a) land	-	-
b) buildings	10,122	11,935
c) furniture and furnishings	-	-
d) electronic equipment	-	-
e) other	798	1,050
Total	**11,978**	**14,347**
of which: obtained by enforcing guarantees received	-	-

8.6 Property, plant and equipment used in the business: annual changes

	Land	Buildings	Furniture and furnishings	Electronic equipment	Other	Total
A. Gross opening balances	**-**	**16,316**	**2,671**	**8,446**	**3,643**	**31,076**
A.1 Total net impairment	-	(4,382)	(2,635)	(8,443)	(1,269)	(16,729)
A.2 Net opening balances	**-**	**11,935**	**36**	**3**	**2,374**	**14,348**
B. Increases:	**-**	**519**	**-**	**-**	**100**	629
B.1 Purchases	-	-	-	-	63	63
B.2 Capitalised expenditure on improvements	-	-	-	-	-	-
B.3 Reversals of impairment losses	-	-	-	-	-	-
B.4 Positive changes in fair value recognised in:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Transfer from properties held for investment	-	-	-	-	-	-
B.7 Other changes	-	519	-	-	47	566
C. Decreases:	**-**	**2,331**	**17**	**1**	**650**	**2,999**
C.1 Sales	-	-	-	-	-	-
C.2 Depreciation	-	2,304	17	1	648	2,970
C.3 Impairment losses recognised in: -	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Negative changes in fair value recognised in:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Transfers to: -	-	-	-	-	-	-
a) property, plant and equipment held for investment	-	-	-	-	-	-
b) Non-current assets and disposal groups held for sale	-	-	-	-	-	-
C.7 Other changes	-	27	-	-	2	29
D. Net closing balances	**-**	**10,123**	**19**	**2**	**1,834**	**11,978**
D.1 Total net impairment	-	6,653	2,652	8,444	1,887	19,636
D.2 Gross closing balances	**-**	**16,776**	**2,671**	**8,446**	**3,721**	**31,614**
E. Measured at cost	-	-	-	-	-	-

Sub-item B.7 "Other changes" mainly includes the rights of use recognised during the year in accordance with IFRS 16 with reference to new leasing agreements stipulated by the Bank.

Section 9 – Intangible assets – Item 90

9.1 Intangible assets: breakdown by type

Assets/Amounts	Total 31/12/2021		Total 31/12/2020	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	X	**909**	X	**1,037**
A.2 Other intangible assets	**3,563**	**-**	**2,187**	**-**
of which: software	**3,563**	**-**	**2,187**	**-**
A.2.1 Assets measured at cost:	3,563	-	2,187	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	3,563	-	2,187	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**3,563**	**909**	**2,187**	**1,037**

9.2 Intangible assets: annual changes

	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total
		FIN	INDEF	FIN	INDEF	
A. Opening balances	**1,037**	**-**	**-**	**2,187**	**-**	**3,224**
A.1 Total net impairment	-	-	-	-	-	-
A.2 Net opening balances	**1,037**	**-**	**-**	**2,187**	**-**	**3,224**
B. Increases	**-**	**-**	**-**	**2,271**	**-**	**2,271**
B.1 Purchases	-	-	-	2,271	-	2,271
B.2 Increases of internally generated intangible assets	-	-	-	-	-	-
B.3 Reversals of impairment losses	X	-	-	-	-	-
B.4 Positive changes in fair value	-	-	-	-	-	-
- shareholders' equity	-	-	-	-	-	-
- income statement	X	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**128**	**-**	**-**	**895**	**-**	**1,023**
C.1 Sales	-	-	-	-	-	-
C.2 Value adjustments	128	-	-	895	-	1,023
- Amortisation	-	-	-	895	-	895
- Write-downs	128	-	-	-	-	128
+ shareholders' equity	X	-	-	-	-	-
- + income statement	128	-	-	-	-	128
C.3 Negative changes in fair value: -	-	-	-	-	-	-
- shareholders' equity	-	-	-	-	-	-
- income statement	-	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Net closing balances	**909**	**-**	**-**	**3,563**	**-**	**4,472**
D.1 Total net value adjustments	-	-	-	-	-	-
E. Gross closing balances	**909**	**-**	**-**	**3,563**	**-**	**4,472**
F. Measured at cost	-	-	-	-	-	-

Key
DEF: with a definite life
INDEF: with an indefinite life

The item "Goodwill" amounting to € 909 thousand is made up of goodwill arising from the acquisition of the lending and custody business unit and asset management in 2003 and 2004. The aforementioned goodwill, already written down by € 3,143 thousand in the 2008 financial statements, by € 497 thousand in the 2019 financial statements and by € 148 thousand in the 2020 financial statements, in accordance with the provisions of IAS 36, was subjected to an impairment test in order to identify any impairment losses according to the procedure illustrated below, indicating the basic assumptions, estimation method and parameters used.

Goodwill was attributed to the Cash Generating Unit (CGU) to which it belongs, represented by the business unit as a whole, given the substantial autonomy and independence of the cash inflows generated by the aforementioned business unit with respect to other groups of assets. As at 31 December 2021, the business unit consisted of direct and indirect funding (administered and managed) of € 55.3 million (€ 55.8 million at the end of 2020).

In order to identify any impairment losses attributable to the CGU, the recoverable value was determined using the following methods:

The value in use was determined by applying the income method. The flows were determined on the basis of the assets managed and administered at 31 December 2021, equal to € 55.3 million. Therefore, future cash flows on these assets were determined taking into account their actual profitability recorded in the course of 2021 on the individual positions, net of the related overhead costs attributed to the business unit. For the purposes of identifying the scope of customers assigned to this business unit, customers transferred at the date of acquisition as well as customers subsequently acquired, were considered.

In order to determine the value in use, the method of discounting expected income over a ten-year period was used, in continuity with the past. In view of the strong customer loyalty attributed to the business unit and their permanent tenure over the last few years, it has been assumed that assets will fall from the sixth year to zero in the tenth year. The cost of equity (Ke) used to discount expected income, equal to 7.66%, was determined on the basis of the Capital Asset Pricing Model, taking into account a risk-free rate of 1.58% as at 31 December 2021 (10-year BTP rate – average over the last five years), the Beta factor of 1.014 (obtained as the average of the coefficients observed for a sample of 15 listed companies operating in the asset management and administration sector) and an equity market risk premium of 6.0%. The expected income flows thus obtained produce a value in use equal to € 909 thousand.

Based on sensitivity analyses carried out using different discount rates (+/- 0.5%) and profitability rates (+/- 0.05%), the value of the CGU to which goodwill is allocated ranges between € 781 thousand and € 1,042 million.

The recoverable value was also estimated using the method of multiples applied to the assets outstanding at the end of the year. In this regard, multiples defined as Price/AUM were recorded as at 31 December 2021 on a sample of banks operating in private banking, with a median of 1.83%. Applying this multiple to the assets outstanding as at 31 December 2021 provides a fair value of € 912 thousand.

Considering the above, and considering that the book value of goodwill amounted to € 1,037 thousand, a write-down of € 128 thousand was recorded in the Income Statement. It should be noted that, in accordance with IAS 36, write-downs made in previous years cannot be reversed subsequently.

9.3 Other information

At 31 December 2021 there are commitments for the purchase of intangible assets, specifically for the finalisation of the software development projects launched during the year, which will be finalised and put into production in the course of 2022.

Section 10 - Tax Assets and Liabilities - Item 100 (Assets) and Item 60 (Liabilities)

10.1 Deferred tax assets: breakdown

	IRES	IRAP	Total
Value adjustments on loans	1,265	30	1,295
Goodwill	30	6	36
Capital losses on securities classified as Financial assets through other comprehensive income	604	125	729
Provisions for risks and charges	254	-	254
Other	339	23	362
Total	**2,492**	**184**	**2,676**

10.2 Deferred tax liabilities: breakdown

	IRES	IRAP	Total
Capital gains on securities classified as Financial assets through other comprehensive income	879	281	1,160
Provision for employee severance indemnity	69	-	69
Other	-	-	-
Total	**948**	**281**	**1,229**

10.3 Deferred tax assets: annual changes (balancing entry in the income statement)

	Total 31/12/2021	Total 31/12/2020
1. Opening balance	**1,821**	**4,095**
2. Increases	**270**	**134**
2.1 Deferred tax assets recognised during the year	270	134
a) relating to previous years	-	-
b) due to changes in accounting principles	-	-
- c) reversals of impairment losses	-	-
d) other	270	134
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**458**	**2,408**
3.1 Deferred tax assets derecognised during the year	458	2,408
a) reversals of temporary differences	458	2,408
b) write-downs of non-recoverable items	-	-
- c) due to changes in accounting principles	-	-
d) other	-	-
- 3.2 Decreases in tax rates	-	-
3.3 Other decreases: -	-	-
- a) transformation into tax credits pursuant to Law no. 214/2011	-	-
b) other	-	-
4. Closing balance	**1,633**	**1,821**

The increases referred to in point 2.1 d) other, include deferred tax assets recorded on Directors' fees not paid in 2021 and on Provisions for risks and charges.
The decreases referred to in point 3.1 a), equal to € 0.5 million, refer to the reversal of deferred tax assets for the year, mainly referable to value adjustments on loans. It should be noted that the Law Decree 17/2022 of 1 March 2022 amended the tax legislation concerning the deduction of the portion pertaining to 2021 of the write-downs of receivables before 2015, deferring it to the following four years. As a consequence of this, in the 2022 financial year the Bank will restore the deferred tax assets discharged in 2021, equal to € 0.2 million, and when paying the balance of current taxes for 2021, it will recognise the higher current tax charge and the related tax provision. This event is configured as non-modifying pursuant to IAS 10.
As at 31 December 2021 there are no deferred tax assets relating to previous tax losses. The bank had no unrecognised deferred tax assets as at 31 December 2021.

10.3 bis Deferred tax assets: changes under Italian Law 214/2011

	Total 31/12/2021	Total 31/12/2020
1. Opening balance	**1,409**	**1,634**
2. Increases	**-**	**-**
3. Decreases	**225**	**225**
3.1 Reversals of temporary differences	225	225
3.2 Transformation into tax credits	-	-
a) arising from loss for the period	-	-
b) arising from tax losses	-	-
3.3 Other decreases	-	-
4. Closing balance	**1,184**	**1,409**

10.4 Deferred tax liabilities: annual changes (balancing entry in the income statement)

	Total 31/12/2021	Total 31/12/2020
1. Opening balance	**492**	**492**
2. Increases	**-**	**-**
2.1 Deferred tax liabilities recognised during the year	-	-
a) relating to previous years	-	-
b) due to changes in accounting principles	-	-
c) other	-	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**423**	**-**
3.1 Deferred tax liabilities derecognised during the year	423	-
a) reversals of temporary differences	423	-
b) due to changes in accounting principles	-	-
c) other	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**69**	**492**

10.5 Deferred tax assets: annual changes (balancing entry in equity)

	Total 31/12/2021	Total 31/12/2020
1. Opening balance	**753**	**1,574**
2. Increases	**538**	**447**
2.1 Deferred tax assets recognised during the year	538	447
a) relating to previous years	-	-
b) due to changes in accounting principles	-	-
c) other	538	447
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**248**	**1,268**
3.1 Deferred tax assets derecognised during the year	248	1,268
a) reversals of temporary differences	248	1,268
b) write-downs of non-recoverable items	-	-
c) due to changes in accounting principles	-	-
d) other	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**1,043**	**753**

10.6 Deferred tax liabilities: annual changes (balancing entry in equity)

	Total 31/12/2021	Total 31/12/2020
1. Opening balance	**1,022**	**191**
2. Increases	**831**	**1,022**
2.1 Deferred tax liabilities recognised during the year	831	1,022
a) relating to previous years	-	-
b) due to changes in accounting principles	-	-
c) other	831	1,022
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**693**	**191**
3.1 Deferred tax liabilities derecognised during the year	693	191
a) reversals of temporary differences	693	191
b) due to changes in accounting principles	-	-
c) other	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**1,160**	**1,022**

The deferred tax assets and liabilities referred to above mainly relate to negative and positive fair value valuations, recorded in shareholders' equity in accordance with IAS/IFRS and pertaining to the securities portfolio classified as financial assets measured at fair value through other comprehensive income. The recovery of deferred tax assets is considered to be reasonably likely to occur with the continued ownership of the securities.

10.7 Other information

Current tax assets	31/12/2021	31/12/2020
IRES prepayments	164	68
IRAP prepayments	505	246
Other receivables and withholdings	74	172
Total	**743**	**486**

Current tax liabilities	31/12/2021	31/12/2020
IRES payables	539	150
IRAP payables	559	632
Other payables for current taxes	-	-
Total	**1,098**	**782**

Section 11 – Non-current assets and groups of assets held for disposal and associated liabilities – Item 110 of assets and Item 70 of liabilities

11.1 Non-current assets and groups of assets held for sale: breakdown by type of asset

	Total 31/12/2021	Total 31/12/2020
A. Assets held for sale		
A.1 Financial assets	-	-
A.2 Equity investments	-	-
A.3 Property, plant and equipment	-	-
of which: obtained by enforcing guarantees received	-	-
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total (A)	**-**	**-**
of which valued at cost	-	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-
B. Discontinued operations		
B.1 Financial assets measured at fair value through profit and loss	-	-
- financial assets held for trading	-	-
- financial assets designated at fair value	-	-
- other financial assets mandatorily measured at fair value	-	-
B.2 Financial assets measured at fair value through other comprehensive income	-	-
B.3 Financial assets measured at amortised cost	-	-
B.4 Equity investments	-	26,053
B.5 Property, plant and equipment	-	-
of which: obtained by enforcing guarantees received	-	-
B.6 Intangible assets	-	-
B.7 Other assets	-	-
Total (B)	-	**26,053**
of which valued at cost	-	26,053
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-
C. Liabilities associated with assets held for sale		
C.1 Payables	-	-
C.2 Securities	-	-
C.3 Other liabilities	-	-
Total (C)	**-**	**-**
of which valued at cost	-	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-
D. Liabilities associated with discontinued operations		
D.1 Financial liabilities measured at amortised cost	-	-

	Total 31/12/2021	Total 31/12/2020
D.2 Financial liabilities held for trading	-	-
D.3 Financial liabilities designated at fair value	-	-
D.4 Funds	-	-
D.5 Other liabilities	-	-
Total (D)	**-**	**-**
of which valued at cost	-	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-

The item Non-current assets and groups of assets held for sale at 31 December 2020 only included the investment held in Banque Profil de Gestion, which was sold on 1 June 2021 as already fully described in the Significant Events in the Consolidated Report on Operations to which reference is made. For more details on the economic effects deriving from the sale, recognised in the individual financial statements of Banca Profilo, please refer to what is described in Part C, Section 15 - Profits/(Losses) on Equity Investments in these Explanatory Notes.

Section 12 - Other assets - Item 120

12.1 Other assets: breakdown

	31/12/2021	31/12/2020
Receivables for security deposits	38	6
Correspondents for securities and coupons to be collected	12,708	6,065
Loans and advances to customers and subsidiaries for invoices to be collected	1,313	6,628
Customers for commissions to be collected	1,755	1,454
Items to be settled with Banks and Customers for different transactions	1,937	1,977
Sundry and residual items	9,642	11,199
Total	**27,395**	**27,328**

The sub-item "Correspondents for securities and coupons to be collected" includes amounts settled in the first days of January 2022.
Sundry and residual items mainly consist of stamp duty accounts and deferred income for administrative expenses, and also include € 0.5 million of tax credits related to the so-called "Superbonus 110" provided by the so-called "Relaunch Decree". These tax credits are recognised in other activities in accordance with the HTC business model, in compliance with the indications provided in the Bank of Italy/Consob/Ivass Document no. 9 (Coordination table between the Bank of Italy, Consob and Ivass on the application of IAS/IFRS) "Accounting treatment of tax credits connected with the "Cura Italia" and "Relaunch" Legislative Decrees acquired following disposals by direct beneficiaries or previous purchasers".

LIABILITIES

Section 1 – Financial liabilities measured at amortised cost – Item 10

1.1 Financial liabilities measured at amortised cost: breakdown of deposits from banks

Type of transactions/Amounts	Total 31/12/2021				Total 31/12/2020			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Deposits from central banks	**89,458**	X	X	X	**175,816**	X	X	X
2. Deposits from banks	**248,164**	X	X	X	**92,143**	X	X	X
2.1 Current accounts and demand deposits	7,463	X	X	X	12,574	X	X	X
2.2 Time deposits	-	X	X	X	-	X	X	X
2.3 Loans	231,744	X	X	X	65,901	X	X	X
2.3.1 Repurchase agreements	231,744	X	X	X	65,901	X	X	X
2.3.2 Other	-	X	X	X	-	X	X	X
2.4 Payables for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
2.5 Lease liabilities	-	X	X	X	-	X	X	X
2.6 Other payables	8,957	X	X	X	13,668	X	X	X
Total	**337,622**	**-**	**-**	**337,622**	**267,959**	**-**	**-**	**267,959**

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

Deposits from Central Banks refer to monetary policy transactions aimed at long-term refinancing, carried out with the European Central Bank through participation in the TLTRO III auction for € 89.5 million. Item "2.6 Other payables" includes the amounts deposited as collateral with the counterparties with which Banca Profilo carries out transactions in derivative contracts.

Deposits from Central Banks at 31 December 2020 referred to monetary policy transactions aimed at long-term refinancing, carried out with the European Central Bank through participation in the PELTRO (Pandemic Emergency Longer-Term Refinancing Operations) for € 79.7 million, TLTRO III (Targeted Longer-Term Refinancing Operations) for € 81.1 million and to short-term transactions to optimise Banca Profilo's liquidity position for € 15.0 million. As of 31 December 2021, only the TLTRO-III loan remains in existence while the other loans have been repaid. With reference to the TLTRO-III loan, it should be noted that in December 2021 Banca Profilo made the early repayment of the amount received with the fourth auction and participated in the tenth auction, collecting € 89.5 million.

Since these are mainly short-term payables settled at market conditions, and given the financial characteristics of the TLTRO III transactions, the book value is considered to approximate their fair value. For more clarifications regarding the accounting treatment of TLTRO transactions, please refer to Part A of these Explanatory Notes.

1.2 Financial liabilities measured at amortised cost: breakdown of deposits from customers

Type of transactions/Amounts	Total 31/12/2021				Total 31/12/2020			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	638,645	X	X	X	683,817	X	X	X
2. Time deposits	-	X	X	X	-	X	X	X
3. Loans	307,967	X	X	X	251,329	X	X	X
3.1 Repurchase agreements	307,967	X	X	X	251,329	X	X	X
3.2 Other	-	X	X	X	-	X	X	X
4. Payables for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
5. Lease liabilities	11,044	X	X	X	13,078	X	X	X
6. Other payables	29,310	X	X	X	12,732	X	X	X
Total	**986,966**	**-**	**-**	**986,966**	**960,956**	**-**	**-**	**960,956**

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

Since these are short-term payables and are settled at market conditions, it is considered that the book value approximates their fair value.
The amounts deposited as collateral with the counterparties with which the Bank carries out derivative contracts have been classified under the sub-item "Other payables".

1.6 Lease liabilities

The lease liabilities included in the aforementioned table 1.2 are representative of the present value of the residual future lease payments under contracts to which IFRS 16 applies. These contracts mainly relate to the rental of property, while the remainder relates to the rental of motor vehicles and office machinery. Among the existing property lease contracts, the one that mainly contributes to the lease payable provides for the payment of € 1.9 million per year until 2025. The remaining property lease contracts have an average maturity of more than five years, while for car and photocopier rental contracts the payable will be paid off over an average of two years.

Section 2 – Financial liabilities held for trading – Item 20

2.1 Financial liabilities held for trading: breakdown

Type of transactions/Amounts	Total 31/12/2021					Total 31/12/2020				
	NA	Fair Value			Fair Value*	NA	Fair Value			Fair Value*
		L1	L2	L3			L1	L2	L3	
A. On-balance sheet liabilities										
1. Deposits from banks	12	73	-	-	73	9	64	-	-	64
2. Deposits from customers	13,983	17,832	-	-	17,832	4,348	8,126	-	-	8,126
3. Debt securities	-	-	-	-	X	-	-	-	-	X
3.1 Bonds	-	-	-	-	X	-	-	-	-	X
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	X	-	-	-	-	X
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total (A)	**13,995**	**17,905**	**-**	**-**	**17,905**	**4,357**	**8,189**	**-**	**-**	**8,189**
B. Derivative Instruments										
1. Financial derivatives	X	36,945	33,153	-	X	X	28,819	36,926	-	X
1.1 Trading	X	36,945	33,153	-	X	X	28,819	36,926	-	X
1.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	X	-	9,310	-	X	X	-	36,603	-	X
2.1 Trading	X	-	9,310	-	X	X	-	36,603	-	X
2.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total (B)	**X**	**36,945**	**42,463**	**-**	**X**	**X**	**28,819**	**73,529**	**-**	**X**
Total (A+B)	**X**	**54,850**	**42,463**	**-**	**X**	**X**	**37,008**	**73,529**	**-**	**X**

Key
NV = nominal or notional value.
L1 = Level 1
L2 = Level 2
L3 = Level 3
Fair Value* = fair value calculated excluding value adjustments due to variation in the credit rating of the issuer since the date of issue.

It should be noted that the item "B.1 – 1.1. Financial derivatives held for trading" includes the first Certificate issued at the end of March 2021 by Banca Profilo (classified at Level 2) for a book value of € 4.9 million.

Section 4 - Hedging derivatives - Item 40

4.1 Hedging derivatives: breakdown by type of hedge and levels

	NA	Fair Value		31/12/2021	NA	Fair Value		31/12/2020
	31/12/2021	L1	L2	L3	31/12/2020	L1	L2	L3
A. Financial derivatives	**224,252**	**-**	**52,399**	**-**	**241,057**	**-**	**32,693**	**-**
1) Fair value	224,252	-	52,399	-	241,057	-	32,693	-
2) Cash flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**224,252**	**-**	**52,399**	**-**	**241,057**	**-**	**32,693**	**-**

Key
NA = Notional amount.
L1 = Level 1
L2 = Level 2
L3 = Level 3

4.2 Hedging derivatives: breakdown by hedged portfolios and type of hedge

Transactions/Type of hedge	Fair Value							Cash flows		Foreign investments
	Specific						Macro-hedge	Specific	Macro-hedge	
	debt securities and interest rates	equity securities and stock indices	currencies and gold	credit	commodities	other				
1. Financial assets measured at fair value through other comprehensive income	8,367	-	-	-	X	X	X	-	X	X
2. Financial assets measured at amortised cost	44,032	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	-	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**52,399**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- 1. Financial liabilities	-	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- 1. Expected transactions	X	X	X	X	X	X	X	-	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	X	-	X	-	-

Section 6 – Tax liabilities – Item 60

See Section 10 of the Assets.

Section 7 – Liabilities associated with assets held for sale – Item 70

See Section 11 of the assets.

Section 8 – Other liabilities – Item 80

8.1 Other liabilities: breakdown

	31/12/2021	31/12/2020
Amounts to be paid to the Treasury for third parties	7,639	4,455
Amounts to be paid to social security institutions	726	655
Payables for tax consolidation	3,353	1,494
Amounts to be settled for transactions in securities and funds	1,169	12,363
Various suppliers and invoices to be received	4,191	4,513
Amounts to be paid to Personnel and Directors	8,797	7,502
Items to be settled for different transactions	1,558	1,025
Sundry and residual items	1,882	4,481
Total	**29,316**	**36,489**

The amounts to be settled for transactions in securities and funds and the items to be settled with Banks and Customers for different transactions consist of items in progress that were definitively settled after 31 December 2021.

Section 9 – Employee severance indemnity – Item 90

9.1 Employee severance indemnity: annual changes

	Total 31/12/2021	Total 31/12/2020
A. Opening balances	**1,610**	**1,666**
B. Increases	**911**	**869**
B.1 Provisions for the year	911	826
B.2 Other changes	-	43
C. Decreases	**1,119**	**925**
C.1 Severance payments	193	94
C.2 Other changes	926	831
D. Closing balances	**1,402**	**1,610**
Total	**1,402**	**1,610**

The amount of the provision represents the actuarial estimate of employee severance indemnity charges as provided for by the revised IAS 19 and the supplementary pension reform. Point C.2 shows the amounts paid to the INPS treasury fund and the pension fund.

9.2 Other information

	Total 31/12/2021	Total 31/12/2020
A. Opening balances	**1,610**	**1,666**
B. Increases		
1. Service cost related to performance	911	826
2. Financial charges	-	-
3. Contribution to the plan by participants	-	-
4. Actuarial losses	-	43
5. Exchange differences	-	-
6. Service cost related to performance	-	-
7. Other changes	-	-
C. Reductions		
1. Paid benefits	(193)	(94)
2. Service cost related to performance	-	-
3. Actuarial gains	(8)	-
4. Exchange differences	-	-
5. Reductions	-	-
6. Repayments	-	-
7. Other changes	(917)	(831)
D. Closing balances	**1,402**	**1,610**
Total	**1,402**	**1,610**

Since 1 January 2007, in accordance with the provisions of Law no. 296 of 27 December 2006, each employee may choose to allocate their employee severance indemnity to accrue with a supplementary pension scheme or to maintain it with their employer. In the latter case, for companies with more than 50 employees, the employee severance indemnity will be deposited by the employer in a fund managed by INPS on behalf of the State.

In light of the new provisions, the bodies responsible for the technical analysis of the issue have established that the employee severance indemnity accrued since 1 January 2007 for supplementary pension schemes or the INPS treasury fund is to be considered as a "defined contribution plan" and therefore no longer subject to actuarial valuation. The employee severance indemnity of employees who, at the valuation date, do not allocate 100% of their severance indemnity to supplementary pension schemes or who, if they do, have a provision for employee severance indemnity previously accrued by the Company, are still subject to actuarial valuation. For companies with less than 50 employees (all of Banca Profilo's subsidiaries), the employee severance indemnity continues to be considered a "defined benefit plan" and is subject to the "Projected Unit Credit Method" actuarial method (paragraphs 67-69 of IAS 19R).

The amount of employee severance indemnity still subject to actuarial valuation has been estimated by an external professional firm using a model based on the projected unit credit method. The actuarial valuation was carried out on the basis of the Company's personnel data. This data also takes into account estimates of the length of time spent in the company and the expected increase in standing for each employee. In particular, the estimated length of time has been adjusted by a series of parameters such as the employee's sex, number of years in the bank, estimated future years, number of working years in companies prior to the current. The revaluation of employee severance indemnity takes into account, among other things, future increases in standing, contract improvements, if known, as well as future seniority steps calculated on the basis of the employee's grade level and the rules for the accrual of progressions differentiated according to the date of joining the company. The methodology used for the calculations is the same as that used in previous years.

As regards the actuarial estimate, the main basis for calculation used is provided below:

	2021
Mortality	ISTAT 2020 survival table by age and sex
Requirements for retirement	Achievement of the minimum requirements of the Monti-Fornero reforms
Early exit frequency	8.5% p.a
Probability of early exit	1.0% p.a
Percentage of advance payment of employee severance indemnity	70% of accrued employee severance indemnity
Annual technical discount rate	0.349%
Annual inflation rate	1.5% constant
Annual salary growth rate	3.0% per annum for clerical staff
	1.5% per annum for Middle Managers
	1.0% per annum for Executives

The duration of the liability linked to Banca Profilo's provision for employee severance indemnity is 6,6.

At 31 December 2021, the total value of the provision for employee severance indemnity was € 1,402 thousand. As required by the revised IAS 19, a sensitivity analysis of the obligation relating to the employee severance indemnity has been carried out with respect to the actuarial assumptions considered most significant, aimed at showing how much the liability in the financial statements would vary in relation to the reasonably possible fluctuations of each of these actuarial assumptions. Specifically, the table below shows the change in the provision for employee severance indemnity, considering an increase or decrease in the discount rate, salary increases, the inflation rate, the probability of termination of employment and the % of requests for advance payments in relation to the provision for employee severance indemnity of 50 basis points.

Changing parameters	+50 basis points		-50 basis points	
	New amount	Change	New amount	Change
Change in discount rate curve	1,360,017	(42,363)	1,447,106	44,726
Change in salary increases	1,402,380	-	1,402,380	-
Change in inflation rate	1,429,410	27,030	1,376,077	(26,303)
Change in the probability of termination	1,380,369	(22,012)	1,436,940	34,560
Change in the percentage of the advance payment of employee severance indemnity	1,400,975	(1,405)	1,403,814	1,434

Section 10 – Provisions for risks and charges – Item 100

10.1 Provisions for risks and charges: breakdown

Items/Amounts	Total 31/12/2021	Total 31/12/2020
1. Provisions for credit risk relating to commitments and financial guarantees issued	20	57
2. Provisions on other commitments and other guarantees issued	-	-
3. Corporate pension funds	-	-
4. Other provisions for risks and charges	1,175	330
4.1 legal and tax disputes	-	-
4.2 personnel charges	909	-
4.3 other	266	330
Total	**1,195**	**387**

Other provisions, amounting to € 1,175 thousand, are the provisions for risks and charges set up to cover probable future liabilities. Within them, Other provisions for risks and charges – personnel expense, equal to € 909 thousand, refer to the liabilities associated with certain benefits in favour of employees (retention plans activated for some employees of Banca Profilo), recognised in financial year 2021 as a contra entry to item 160 a) Other administrative expenses - personnel expense. These liabilities are recognised in the provision for risks and charges in consideration of the uncertainty profiles with reference to the date of occurrence and the amount of future expenditure required.

10.2 Provisions for risks and charges: annual changes

	Provisions on other commitments and other guarantees issued	Pension funds	Other provisions for risks and charges	Total
A. Opening balances	-	-	**330**	**330**
B. Increases	-	-	**1,059**	**1,059**
B.1 Provision for the year	-	-	1,059	1,059
B.2 Changes due to the time value of money	-	-	-	-
B.3 Differences due to discount-rate changes	-	-	-	-
B.4 Other changes	-	-	-	-
C. Decreases	-	-	**214**	**214**
C.1 Use during the year	-	-	214	214
C.2 Differences due to discount-rate changes	-	-	-	-
C.3 Other changes	-	-	-	-
D. Closing balances	-	-	**1,175**	**1,175**

The allocations to the item "Provisions for risks and charges – other" included in item B.1 in the amount of € 1,059 thousand refer, for € 909 thousand euros, to liabilities connected to certain benefits in favour of Banca Profilo's employees, and for the residual part to allocations for a limited number of customer complaints for which the risk of disbursement is considered probable. The use during the year concerns the disbursements and releases for excess funds allocated during the year at the closure of disputes with some customers; the portion of the provision released to the income statement amounts to € 60 thousand.

10.3 Provisions for credit risk relative to commitments and issued financial guarantees

	Provisions for credit risk relating to commitments and financial guarantees issued				
	Stage 1	Stage 2	Stage 3	Impaired, acquired or originated	Total
1. Commitments to disburse funds	-	-	-	-	-
2. Financial guarantees issued	20	-	-	-	20
Total	**20**	**-**	**-**	**-**	**20**

Section 12 - Shareholders' equity - Items 110, 130, 150, 160, 170 and 180

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

	31/12/2021	31/12/2020
1. Share capital	136,994	136,994
2. Share premium	82	82
3. Reserves	23,010	21,255
4. (Treasury shares)	(5,634)	(5,787)
5. Valuation reserves	1,799	3,519
6. Equity instruments		
7. Interim dividends	(10,472)	
8. Profit/(loss) for the year	16,460	13,112
Total	**162,239**	**169,175**

12.2 Share capital - Number of shares: annual changes

Items/Types	Ordinary	Other
A. Shares outstanding as at the beginning of the year	**654,125,483**	**-**
- fully paid	677,997,856	-
- not fully paid	-	-
A.1 Treasury shares (-)	(23,872,373)	-
A.2 Shares outstanding: opening balances	**654,125,483**	**-**
B. Increases	**3,212,677**	**-**
B.1 New issues	-	-
- against payment:	-	-
- business combinations	-	-
- bonds converted	-	-
- warrants exercised	-	-
- other	-	-
- without payment:	-	-
- to employees	-	-
- to Directors	-	-
- other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other changes	3,212,677	-
C. Decreases	**(2,746,695)**	**-**
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	(2,746,695)	-
C.3 Business transferred	-	-
C.4 Other changes	-	-
D. Shares outstanding: closing balances	**654,591,465**	**-**
D.1 Treasury shares (+)	23,406,391	-
D.2 Shares outstanding as at the end of the year	677,997,856	-
- fully paid	677,997,856	-
- not fully paid	-	-

Item B.3 “other changes” refers to the allocations made in April and November 2021 in relation to stock grant plans. For further details on these allocations, please refer to Part I - “Share-Based Payment Agreements” of these Explanatory Notes.
Item C.2 “Purchase of treasury shares” refers to the purchase of treasury shares as part of the activity authorised by the Shareholders’ Meeting of 23 April 2020 to support exchanges, already started in 2020 with purchases of 6,658,305 shares, using a third-party intermediary (Equita SIM S.p.A.). As part of this activity, 2,746,695 shares equal to 0.41% of the share capital were purchased during the first months of 2021, thus reaching the maximum payment authorised by the aforementioned Shareholders’ meeting of € 2 million. At 31 December 2021, the total of treasury shares in portfolio represents 3.45% of the share capital.

12.3 Share capital: other information
The share capital of Banca Profilo amounts to € 136,994,028, fully paid up and consists of 677,997,856 ordinary shares.

12.4 Profit reserves: other information
The profit reserves include the legal reserve, the allocation of profit not distributed from previous years and changes in reserves related to the stock grant plan.

In accordance with Art. 2427 of the Italian Civil Code, no. 7-bis, a detailed list of Shareholders' equity items is also provided with an indication of their possible use, as well as their use in previous years.

Available shareholders' equity

Description	Amount	Possibility of use	Portion available	Summary of uses made in previous years	
				to cover losses	for other reasons (distribution)
Share capital	**136,994**	B	-		
Capital reserves:	**82**				
Share premium	82	A, B	-		
Valuation Reserves:	**1,799**				
Valuation reserves - FVOCI on equity securities	1,773	(1)			
Valuation reserves - FVOCI on debt securities	605	(1)			
Valuation reserves - Actuarial gains and losses	(579)	(1)			
Profit reserves:	**23,010**				
Legal reserves	5,165	B	5,165		
Stock Option Reserve	32	A	32		
Reserve for purchase of treasury shares	5,634				
Other reserves	-	-			
First-Time Adoption (FTA) Reserve - IFRS 9	(696)	A, B, C (2)	(696)		
Retained earnings	12,875	A, B, C	12,875		
Treasury shares	**(5,634)**				
Total	**156,251**		**17,376**		
Interim dividends	(10,472)				
Result for the year	16,460				
Total shareholders' equity	**162,239**		**17,376**		

Key:
A: for capital increase
B: to cover losses
C: for distribution to shareholders
(1) Reserves are subject to unavailability restrictions pursuant to Article 6 of Italian Legislative Decree no. 38/05
(2) the FTA reserves, if negative, decrease the distributable portion of other reserves.

Other information

1. Financial commitments and guarantees issued (other than those measured at fair value)

	Nominal value of commitments and guarantees issued			Total 31/12/2021	Total 31/12/2020
	Stage 1	Stage 2	Stage 3		
1. Commitments to disburse funds	**278,845**	**170**	**-**	**279,014**	**142,115**
a) Central Banks	-	-	-	-	-
b) Public administration	1,454	-	-	1,454	1,794
c) Banks	22,448	-	-	22,448	16,700
d) Other financial companies	148,202	-	-	148,202	21,074
e) Non-financial companies	22,612	-	-	22,612	19,589
f) Households	84,129	170	-	84,299	82,959
2. Financial guarantees issued	**16,319**	**-**	**-**	**16,319**	**19,278**
a) Central Banks	-	-	-	-	-
b) Public administration	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other financial companies	67	-	-	67	42
e) Non-financial companies	11,626	-	-	11,626	14,426
f) Households	4,626	-	-	4,626	4,810

The guarantees issued consist of sureties issued by Banca Profilo against obligations undertaken by the same towards third parties on behalf of its customers. Irrevocable commitments to disburse funds include purchases of securities not yet settled.

3. Assets pledged as collateral for own liabilities and commitments

Portfolios	Amount 31/12/2021	Amount 31/12/2020
1. Financial assets measured at fair value through profit and loss	181,392	179,566
2. Financial assets measured at fair value through other comprehensive income	68,212	81,014
3. Financial assets measured at amortised cost	314,230	236,521
4. Property, plant and equipment	-	-
- of which: property, plant and equipment which constitutes inventory	-	-

Assets pledged as collateral are represented as:

- € 83,324 thousand of securities pledged to guarantee monetary policy operations (loans) with the European Central Bank and the Bank of Italy;
- € 446,224 thousand from securities as collateral for repurchase agreements;
- € 34,286 thousand mainly relates to deposits as collateralisation of contracts on financial instruments.

4. Asset management and trading on behalf of third parties

Type of services	Amount
1. Execution of orders on behalf of customers	**1,194,548**
a) purchases	588,136
1. settled	588,136
2. unsettled	-
b) sales	606,412
1. settled	606,412
2. unsettled	-
- 2. Individual portfolio management	**790,096**
3. Custody and administration of securities	**5,434,602**
a) third-party securities held on deposit: relating to custodian bank activities (excluding portfolio management)	-
1. securities issued by the reporting bank	-
2. other securities	-
b) third-party securities held on deposit (excluding portfolio management): other	4,681,918
1. securities issued by the reporting bank	446,803
2. other securities	4,235,115
c) third-party securities deposited with third parties	4,203,164
d) own securities deposited with third parties	752,684
4. Other transactions	**-**

5. Financial assets subject to offsetting in the financial statements, or subject to master netting or similar agreements

Technical forms		Gross amount of financial assets (a)	Amount of financial liabilities offset in the financial statements (b)	Net amount of financial assets recognised in the financial statements (c=a-b)	Related amounts not subject to offsetting in the financial statements		Net amount (f=c-d-e)	Net amount
					Financial instruments (d)	Cash deposits received as collateral (e)	31/12/2021	31/12/2020
1. Derivatives		13,866	-	13,866	-	14,400	(534)	(1,248)
2. Reverse repurchase agreements		52,332	-	52,332	-	52,332	-	-
3. Securities lending		-	-	-	-	-	-	-
4. Other		-	-	-	-	-	-	-
Total	**31/12/2021**	**66,198**	**-**	**66,198**	**-**	**66,732**	**(534)**	**X**
Total	**31/12/2020**	**45,572**	**-**	**45,572**	**-**	**46,820**	**X**	**(1,248)**

This table shows the fair value of derivatives subject to master netting agreements or similar (CSAs) recorded under the balance sheet item "financial assets held for trading" and the amounts of corresponding security deposits recorded under "deposits from banks" and "deposits from customers". Starting from October 2021, the Bank complied with the EMIR clearing obligation for over the counter derivatives with Central Counterparties, to which it is subject having exceeded one of the exemption thresholds provided for by EU legislation in the last year of observation. From the verification of the contractual documentation that governs the clearing mechanism, it emerged that these agreements do not comply with the criteria established by IAS 32 for the accounting offsetting of assets and liabilities.
The financial statement values of repurchase agreements made with counterparties with which GMRA framework agreements exist are also provided. The spot value of these transactions, corresponding to their book value, is recorded in Assets under "Financial assets measured at amortised cost" in "loans to banks" or "loans to customers" depending on the type of counterparty.

6. Financial liabilities subject to offsetting, or subject to master netting or similar agreements

Technical forms		Gross amount of financial liabilities (a)	Amount of financial assets offset in the financial statements (b)	Net amount of financial liabilities recognised in the financial statements (c=a-b)	Related amounts not subject to offsetting in the financial statements		Net amount (f=c-d-e)	Net amount
					Financial instruments (d)	Cash deposits lodged as collateral (e)	31/12/2021	31/12/2020
1. Derivatives		67,551	-	67,551	-	66,287	1,263	882
2. Reverse repurchase agreements		31,937	-	31,937	-	31,937	-	-
3. Securities lending		-	-	-	-	-	-	-
4. Other		-	-	-	-	-	-	-
Total	**31/12/2021**	**99,488**	**-**	**99,488**	**-**	**98,224**	**1,263**	**X**
Total	**31/12/2020**	**59,099**	**-**	**59,099**	**-**	**58,217**	**X**	**882**

This table shows the fair value of derivatives subject to master netting agreements or similar (CSAs) recorded under the balance sheet item "financial liabilities held for trading" and the amounts of corresponding security deposits recorded under "loans to banks" and "loans to customers". Starting from October 2021, the Bank complied with the EMIR clearing obligation for over the counter derivatives with Central Counterparties, to which it is subject having exceeded one of the exemption thresholds provided for by EU legislation in the last year of observation. From the verification of the contractual documentation that governs the clearing mechanism, it emerged that these agreements do not comply with the criteria established by IAS 32 for the accounting offsetting of assets and liabilities.
The financial statement values of repurchase agreements made with counterparties with which GMRA framework agreements exist are also provided. The spot value of these transactions, corresponding to their book value, is recorded in Liabilities under "Financial liabilities measured at amortised cost" in "deposits from banks" or "deposits from customers" depending on the type of counterparty.

7. Securities lending transactions

Banca Profilo has securities lending and borrowing transactions in place mainly with banking counterparties that provide for the payment of cash collateral that is fully available to the bank and is therefore represented in the financial statements in the same way as repurchase agreements. The balance at 31 December 2021 was € 3.6 million in securities lending and € 73.7 million in securities borrowing.

PART C – Information on the Income Statement

Section 1 – Interest income/expenses and similar revenues/charges – Items 10 and 20

1.1 Interest income and similar revenues: breakdown

Items/Technical forms	Debt securities	Loans	Other transactions	Total 2021	Total 2020
1. Financial assets measured at fair value through profit and loss:	**3,617**	**-**	**-**	**3,617**	**3,028**
1.1 Financial assets held for trading	3,617	-	-	3,617	3,028
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily measured at fair value	-	-	-	-	-
2. Financial assets measured at fair value through other comprehensive income	**3,036**	**-**	**X**	**3,036**	**2,089**
3. Financial assets measured at amortised cost:	**5,754**	**6,657**	**X**	**12,410**	**9,643**
3.1 Loans and advances to banks	305	528	X	833	1,401
3.2 Loans and advances to customers	5,449	6,129	X	11,577	8,242
4. Hedging derivatives	**X**	**X**	**-**	**-**	**336**
5. Other assets	**X**	**X**	**5**	**5**	**60**
6. Financial liabilities	**X**	**X**	**X**	**775**	**944**
Total	**12,407**	**6,657**	**5**	**19,844**	**16,099**
of which: interest income from impaired financial assets	-	-	-	-	-
of which: interest income on finance lease	-	-	-	-	-

1.2 Interest income and similar revenues: other information

Interest income and similar revenues relating to transactions with Group companies amounted to € 311 thousand.

Item “6. Financial liabilities” includes the positive interest accrued on financial liabilities as an effect of negative rates. In particular, the amount includes the interest accrued on monetary policy operations aimed at long-term refinancing, in which the Bank participated, including the fourth TLTRO-III auction, including the benefit over the average rate of the “Deposit Facility Rate”.

1.2.1 Interest income from financial assets denominated in foreign currency

	2021	2020
Interest income from financial assets denominated in foreign currency	1,472	2.099

1.3 Interest expenses and similar charges: breakdown

Items/Technical forms	Payables	Securities	Other transactions	Total 2021	Total 2020
1. Financial liabilities measured at amortised cost	(1,935)	-	X	(1,935)	(1,713)
1.1 Deposits from central banks	-	X	X	-	-
1.2 Deposits from banks	(453)	X	X	(453)	(671)
1.3 Deposits from customers	(1,482)	X	X	(1,482)	(1,042)
1.4 Debt securities issued	X	-	X	-	-
2. Financial liabilities held for trading	-	(0)	(1)	(1)	(11)
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities and provisions	X	X	(19)	(19)	(32)
5. Hedging derivatives	X	X	(271)	(271)	-
6. Financial assets	X	X	X	-	-
Total	**(1,935)**	**(0)**	**(291)**	**(2,227)**	**(1,756)**
of which: interest expenses on lease payables	(124)	-	-	(124)	(149)

1.4 Interest expenses and similar charges: other information

Interest expenses and similar charges relating to transactions with Group companies amount to € 75 thousand and mainly relate to the recognition in accordance with IFRS 16 of interest expenses on "Lease liabilities" relating to the use of the Via Cerva property leased to the bank by Profilo Real Estate.

1.4.1 Interest expense from financial assets denominated in foreign currency

	2021	2020
Interest expense from financial liabilities denominated in foreign currency	(59)	(132)

1.5 Differentials on hedging transactions

Items	Total 2021	Total 2020
A. Positive differentials on hedging transactions	1,706	2,276
B. Negative differentials on hedging transactions	(1,977)	(1,940)
C. Balance (A-B)	**(271)**	**336**

Section 2 - Fee and commission income/expenses - Items 40 and 50

2.1 Fee and commission income: breakdown

Type of services/Amounts	Total 31/12/2021	Total 31/12/2020
a) Financial instruments	12,993	10,132
1. Placement of securities	1,332	89
1.1 With firm assumption and/or on the basis of an irrevocable commitment	-	-
1.2 Without irrevocable commitment	1,332	89
2. Receipt and transmission of orders and execution of orders on behalf of clients	3,059	3,836
2.1 Receipt and transmission of orders for one or more financial instruments	2,156	2,754
2.2. Execution of orders on behalf of customers	903	1,082
3. Other commissions connected with activities related to financial instruments	8,602	6,207
of which: trading on own account	408	157
of which: individual portfolio management	8,099	5,938
b) Corporate Finance	5,081	1,519
1. Advice on mergers and acquisitions	-	-
2. Treasury services	-	-
3. Other commissions associated with corporate finance services	5,081	1,519
c) Investment advisory activities	3,500	3,208
d) Compensation and settlement	-	-
e) Custody and administration	1,713	1,082
1. Custodian bank	-	-
2. Other fees related to custody and administration activities	1,713	1,082
f) Central administrative services for collective portfolio management	-	-
g) Fiduciary activity	-	-
h) Payment services	292	256
1. Current accounts	223	212
2. Credit cards	6	11
3. Debit and other payment cards	4	-
4. Bank transfers and other payment orders	21	18
5. Other fees related to payment services	38	15
i) Distribution of third-party services	6,345	5,844
1. Management of collective portfolios	-	-
2. Insurance products	1,978	1,815
3. Other products	4,367	4,029
of which: individual portfolio management	-	-
j) Structured finance	-	-
k) Servicing activities for securitisation transactions	-	-
l) Commitments to disburse funds	-	-
m) Financial guarantees issued	187	157
of which: credit derivatives	-	-
n) Financing operations	8	109
of which: factoring transactions	-	-
o) Currency trading	43	80
p) Goods	-	-
q) Other income fees	39	63
of which: for management of multilateral trading facilities	-	-
of which: for management of organised trading systems	-	-
Total	**30,201**	**22,450**

2.2 Fee and commission income: distribution channels of products and services

Channels/Amounts Total	Total 2021	Total 2020
a) through branches:	**15,776**	**7,222**
1. portfolio management	8,099	5,938
2. placement of securities	1,332	89
3. third-party services and products	6,344	5,845
b) off-site distribution: -	**-**	**-**
1. portfolio management	-	-
2. placement of securities	-	-
3. third-party services and products	-	-
c) other distribution channels:	**-**	**-**
1. portfolio management	-	-
2. placement of securities	-	-
3. third-party services and products	-	-

Fee and commission income includes that relating to transactions with Group companies amounting to € 2.2 million (€ 0.6 million in 2020).

2.3 Fee and commission expenses: breakdown

Type of services/amounts	Total 31/12/2021	Total 31/12/2020
a) Financial instruments	(1,771)	(1,770)
of which: trading in financial instruments	(1,771)	(1,770)
of which: financial instruments placement	-	-
of which: individual portfolio management	-	-
- Own	-	-
- Delegated to third parties	-	-
b) Compensation and settlement	(10)	-
c) Custody and administration	(422)	(244)
d) Collection and payment services	(736)	(234)
of which: credit cards, debit cards and other payment cards	(703)	(220)
e) Servicing activities for securitisation transactions	-	-
f) Commitments to receive funds	-	-
g) Financial guarantees received	-	-
of which: credit derivatives	-	-
h) Off-site distribution of financial instruments, products and services	-	-
i) Currency trading	-	-
j) Other commission expenses	(603)	(143)
Total	**(3,541)**	**(2,391)**

Section 3 - Dividends and similar income - Item 70

3.1 Dividends and similar income: breakdown

Items/Income		Total 2021		Total 2020
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	21,278	62	16,517	13
B. Other financial assets mandatorily measured at fair value	0	0	0	0
C. Financial assets measured at fair value through other comprehensive income	65	0	25	0
D. Equity investments	715	0	4,835	0
Total	**22,058**	**62**	**21,377**	**13**

Dividends on financial assets held for trading are mainly linked to the primary market maker activity carried out on listed equity derivatives.
Income from equity investments refers to the distribution of reserves made by the subsidiary Profilo Real Estate.

Section 4 – Net profit (loss) from trading – Item 80

4.1 Net profit (loss) from trading: breakdown

Transactions/Income components	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net Profit (loss) [(A+B)-(C+D)]
1. Financial assets held for trading 10,910 25,147	**10,228**	**23,366**	**(2,405)**	**(20,549)**	**10,639**
1.1 Debt securities	2,255	6,535	(1,438)	(2,372)	4,979
1.2 Equity securities	7,601	16,753	(900)	(15,250)	8,204
1.3 Units of UCITS	372	79	(67)	(79)	304
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	(2,848)	(2,848)
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Financial assets and liabilities: exchange differences	X	X	X	X	**3,348**
4. Derivatives	**77,790**	**238,690**	**(102,023)**	**(238,084)**	**(23,627)**
4.1 Financial derivatives:	50,430	227,934	(77,020)	(225,503)	(24,159)
- On debt securities and interest rates	946	88,518	(2,442)	(86,353)	668
- On equity securities and stock indices	49,484	138,353	(74,578)	(137,945)	(24,686)
- On currencies and gold	X	X	X	X	-
- Other	-	1,063	-	(1,204)	(141)
4.2 Credit derivatives	27,360	10,756	(25,003)	(12,581)	533
of which: natural hedges related to fair value option	X	X	X	X	-
Total	**88,017**	**262,056**	**(104,428)**	**(258,633)**	**(9,640)**

The net result of trading activities (item 80) is calculated as the algebraic sum of the valuation and realisation components and is attributable to items "20.a Financial assets held for trading" and "40. Financial liabilities held for trading", of assets and liabilities respectively. For a better understanding of the

Bank's financial operations, this result should be read together with the dividend result shown in the previous table as the shares on which the Bank received the aforementioned dividends recorded a loss immediately after the ex-dividend date, which is recorded in item 80. For "Derivative instruments", the valuation and realisation components are represented by single contract if concluded OTC, by single type of product if traded on stock exchange or regulated markets.

Section 5 – Net profit (loss) from hedging – Item 90

5.1 Net profit (loss) from hedging: breakdown

Income components/Amounts	Total 2021	Total 2020
A. Gains on:		
A.1 Fair value hedging instruments	18,328	5,272
A.2 Hedged financial assets (fair value)	8,302	6,122
A.3 Hedged financial liabilities (fair value)	-	-
A.4 Cash-flow hedging derivatives	-	-
A.5 Foreign currency assets and liabilities	-	-
Total gains from hedging activities (A)	**26,630**	**11,394**
B. Losses on:		
B.1 Fair value hedging instruments	(26,144)	(11,435)
B.2 Hedged financial assets (fair value)	(869)	(54)
B.3 Hedged financial liabilities (fair value)	-	-
B.4 Cash-flow hedging derivatives	-	-
B.5 Foreign currency assets and liabilities	-	-
Total losses from hedging activities (B)	**(27,013)**	**(11,489)**
C. Net profit (loss) from hedging (A - B)	**(383)**	**(95)**
of which: results of hedge accounting on net positions	-	-

Section 6 – Income (loss) from disposal or repurchase - Item 100

6.1 Income (loss) from disposal or repurchase: breakdown

Items/Income components			Total 2021			Total 2020
	Profits	Losses	Net profit (loss)	Profits	Losses	Net profit (loss)
A. Financial assets						
1. Financial assets measured at amortised cost	3,555	-	3,555	3,028	-	3,028
1.1 Loans and advances to banks	225	-	225	28	-	28
1.2 Loans and advances to customers	3,330	-	3,330	3,000	-	3,000
2. Financial assets measured at fair value through other comprehensive income	5,689	(970)	4,719	10,108	(2,090)	8,018
2.1 Debt securities	5,689	(970)	4,719	10,108	(2,090)	8,018
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**9,244**	**(970)**	**8,274**	**13,136**	**(2,090)**	**11,046**
B. Financial liabilities measured at amortised cost						
1. Deposits from banks	-	-	-	-	-	-
2. Deposits from customers	-	-	-	-	-	-
3. Debt securities issued	-	-	-	-	-	-
Total liabilities (B)	**-**	**-**	**-**	**-**	**-**	**-**

Section 7 – Net profit/(loss) from other financial assets and liabilities measured at fair value through profit and loss – Item 110

7.2 Net change in value of other financial assets and liabilities measured at fair value through profit and loss: composition of other financial assets mandatorily measured at fair value

Transactions/Income components	Capital gains (A)	Profits from realisation (B)	Capital losses (C)	Losses from realisation (D)	Net Profit (loss) [(A+B)-(C+D)]
1. Financial assets	**-**	**-**	**(38)**	**-**	**(38)**
1.1 Debt securities	-	-	-	-	-
1.2 Equity securities	-	-	(38)	-	(38)
1.3 Units of UCITS	-	-	-	-	-
1.4 Loans	-	-	-	-	-
2. Foreign currency financial assets: exchange differences	X	X	X	X	**-**
Total	**-**	**-**	**(38)**	**-**	**(38)**

At 31 December 2021 Banca Profilo has fully written down its indirect investment in Banca Carige S.p.A. through the Interbank Deposit Protection Fund, classified under Financial assets mandatorily valued at fair value, recognising a value adjustment of € 38 thousand in item 110 of the Income Statement.

Section 8 – Net value adjustments/reversals for credit risk – Item 130

8.1 Net value adjustments/reversals on financial assets measured at amortised cost: breakdown

Transactions/Income components	Value adjustments (1)						Reversals (2)				Total 31/12/2021	Total 31/12/2020
	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. Loans and advances to banks	**(18)**	**-**	**-**	**-**	**-**	**-**	**24**	**-**	**-**	**-**	**7**	**(34)**
- Loans	(18)	-	-	-	-	-	24	-	-	-	7	(34)
- Debt securities	(0)	-	-	-	-	-	-	-	-	-	(0)	0
B. Loans and advances to customers	**-**	**(8)**	**-**	**(1,327)**	**-**	**-**	**124**	**-**	**29**	**-**	**(1,181)**	**(282)**
- Loans	-	(8)	-	(1,327)	-	-	119	-	29	-	(1,187)	(375)
- Debt securities	-	-	-	-	-	-	6	-	-	-	6	93
Total	**(18)**	**(8)**	**-**	**(1,327)**	**-**	**-**	**149**	**-**	**29**	**-**	**(1,175)**	**(316)**

8.1a Net value adjustments/reversals on credit risks related to loans measured at amortised cost subject to COVID-19 support: breakdown

Transactions/Income components		Net value adjustments						Total 31/12/2021
		Stage 1	Stage 2	Stage 3		Impaired, acquired, or originated		
				Write-offs	Other	Write-offs	Other	
1. Loans subject to concession compliant with GL		-	-	-	(405)	-	-	**(405)**
2. Loans subject to moratorium measures in place no longer compliant with GL and not assessed as subject to concessions		-	-	-	-	-	-	**-**
3. Loans subject to other forbearance measures		-	-	-	-	-	-	**-**
4. New loans		61	(4)	-	-	-	-	**57**
Total	**31/12/2021**	**61**	**(4)**	**-**	**(405)**	**-**	**-**	**(348)**
Total	**31/12/2020**	**(79)**	**-**	**-**	**-**	**-**	**-**	**(79)**

8.2 Net value adjustments/reversals on financial assets measured at fair value through other comprehensive income: breakdown

Transactions/Income components	Value adjustments (1)						Reversals (2)				Total 31/12/2021	Total 31/12/2020
	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. Debt securities	(93)	-	-	-	-	-	-	-	-	-	(93)	17
B. Loans	-	-	-	-	-	-	-	-	-	-	-	-
- to customers	-	-	-	-	-	-	-	-	-	-	-	-
- to banks	-	-	-	-	-	-	-	-	-	-	-	-
Total	**(93)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(93)**	**17**

Section 10 - Administrative expenses - Item 160

10.1 Personnel expenses: breakdown

Type of expenses/Amounts	Total 2021	Total 2020
1) Employees	(27,322)	(23,108)
a) wages and salaries	(19,720)	(17,281)
b) social security charges	(4,512)	(4,152)
c) severance indemnity	-	-
d) social security expenses	-	-
e) provision for employee severance indemnity	(3)	(0)
f) provision for pension funds and similar obligations:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) contributions to external pension funds:	(907)	(826)
- defined contribution	(907)	(826)
- defined benefit	-	-
h) costs related to share-based payment agreements	-	-
i) other employee benefits	(2,180)	(849)
2) Other staff	(34)	(14)
3) Directors and Statutory Auditors	(1,190)	(1,241)
4) Retired personnel	-	-
5) Recovery of expenses for employees seconded to other companies	457	366
6) Reimbursement of expenses for third-party employees seconded to the company	(100)	(283)
Total	**(28,189)**	**(24,280)**

10.2 Average number of employees by category

	Average number 2021	Average number 2020
Employees		
a) executives	51	46
b) middle managers	79	75
c) remaining staff	45	45
Other staff	-	-
Total	**175**	**166**

10.5 Other administrative expenses: breakdown

	2021	2020
Expenses for professional, legal and advisory services	(1,628)	(1,269)
Insurance premiums	(97)	(85)
Advertising	(896)	(410)
Postal, telegraph and telephone	(406)	(376)
Printed matter and stationery	(91)	(26)
Maintenance and repairs	(466)	(360)
Data processing and transmission services	(8,783)	(8,277)
Electricity, heating and condominium expenses	(329)	(218)
Charges for various services provided by third parties	(1,362)	(1,173)
Cleanliness and hygiene	(281)	(272)
Transport and travel	(133)	(120)
Security and transport of valuables	(39)	(28)
Subscription fees	(162)	(192)
Certification fees	(255)	(228)
Subscriptions to newspapers, magazines and publications	(16)	(20)
Rents payable	(913)	(900)
Entertainment expenses	(65)	(66)
Indirect taxes and duties	(4,557)	(3,955)
of which stamp duty	(4,304)	(3,808)
Charges relating to the banking system	(1,378)	(1,335)
Sundry and residual	(788)	(798)
Total	**(22,645)**	**(20,108)**

The aggregate of charges relating to the banking system contains the contribution to the National Resolution Fund of € 1.2 million. As far as the ordinary contribution to the Interbank Deposit Protection Fund is concerned, the amount paid in December 2021 was € 194 thousand.

Section 11 – Net provisions for risks and charges – Item 170

11.1 Net provisions for credit risk relating to commitments to disburse funds and financial guarantees issued: breakdown

The item includes an amount of € 37 thousand relating to reversals of financial guarantees issued. As at 31 December 2020 the item amounted to € 50 thousand of value adjustments.

11.3 Other net provisions for risks and charges: breakdown

Net provisions for risks and charges – other, are positive for € 60 thousand and refer to the re-allocation to the Income Statement of provisions made in previous years, following the settlement, with a positive outcome for the Bank, of disputes outstanding at the end of 2020, as well as provisions for a limited number of customer complaints for which the outlay risk is considered probable. The figure referring to the previous year showed releases to the income statement for € 458 thousand.

Section 12 - Net value adjustments/reversals on property, plant and equipment - Item 180

12.1. Net value adjustments on property, plant and equipment: breakdown

Asset/Income component	Amortisation (a)	Value adjustments for impairment (b)	Reversals of impairment losses (c)	Net profit (loss) (a + b - c)
A. Property, plant and equipment				
1 Used in the business	(2,970)	-	-	(2,970)
- Owned	(367)	-	-	(367)
- Rights of use acquired through lease	(2,603)	-	-	(2,603)
2 Held for investment	-	-	-	-
- Owned	-	-	-	-
- Rights of use acquired through lease	-	-	-	-
3 Inventory	X	-	-	-
Total	**(2,970)**	**-**	**-**	**(2,970)**

Depreciation of property, plant and equipment was determined in relation to both the degree of use of the assets and their estimated useful life, applying the rates listed below for the calculation:

- property 2.5%
- office furniture and machines 12%
- furnishings 15%
- machinery, apparatus and miscellaneous equipment 15%
- electromechanical and electronic office machines 20%
- armoured counters and safes 20%
- motor vehicles and internal transport 20%
- IT systems 20%
- cars 25%
- alarm systems 30%

The sub-item "Rights of use acquired through leases" relates to the amortisation of the rights of use recognised in accordance with IFRS 16. Within this item, € 1.9 million relates to the property owned by Profilo Real Estate S.r.l., leased to the bank.

Section 13 - Net value adjustments/reversals on intangible assets - Item 190

13.1 Net value adjustments/reversals on intangible assets: breakdown

Asset/Income component	Amortisation	Value adjustments for impairment	Reversals of impairment losses	Net profit (loss)
	(a)	(b)	(c)	(a + b - c)
A. Intangible assets				
of which: software	(895)	-	-	(895)
A.1 Owned	(895)	-	-	(895)
- Generated internally by the company	-	-	-	-
- Other	(895)	-	-	(895)
A.2 Rights of use acquired through lease	-	-	-	-
Total	**(895)**	**-**	**-**	**(895)**

The item includes amortisation related to software for multi-year use.

Section 14 - Other operating income/expenses - Item 200

14.1 Other operating expenses: breakdown

	2021	2020
Other operating expenses		
Other expenses	(1,649)	(611)
Total operating expenses	**(1,649)**	**(611)**

14.2 Other operating income: breakdown

	2021	2020
Other operating income		
Recovery of expenses from customers	361	126
Indirect tax recoveries	4,434	3,841
Recovery of expenses on services to Group companies	166	166
Less debt vs. BPDG sellers	-	-
Refunds from lawsuits	4	51
Other income	959	714
Total operating income	**5,924**	**4,898**

Section 15 - Profit/(loss) from equity investments - Item 220

15.1 Profits/(Losses) on equity investments: breakdown

Income components/Amounts	Total 31/12/2021	Total 31/12/2020
A. Income	3,410	-
1 Revaluations	-	-
2. Profit from disposals	3,410	-
3. Reversals of impairment losses	-	-
4. Other income	-	-
B. Charges	-	-
1. Write-downs	-	-
2. Value adjustments for impairment	-	-
3. Losses on disposal	-	-
4. Other expenses	-	-
Net profit (loss)	**3,410**	**-**

The profit from the disposal recognised refers to the sale of the investment held in Banque Profil de Gestion, and was determined as the difference between the sale price and the book value of the investment sold.

The consideration for the sale, initially set at 35.0 million Swiss francs (€ 31.9 million at the exchange rate of 31 May 2021), had already been determined taking into account an extraordinary distribution of dividends, which took place in April 2021, and the capital increase deriving from the exercise of stock options by the beneficiary personnel. The transaction price also took into account certain price adjustments provided for in the agreement signed on 9 February 2021, and therefore amounts to 31.8 million Swiss francs (€ 28.9 million), for a cash consideration equal to 31.2 million Swiss francs (€ 28.4 million), amounts already net of the indemnities recognised by Banca Profilo to cover specific costs or potential risks, equal to € 0.5 million, recognised in other operating expenses. Gross of indemnities, the sale price is € 29.4 million.

Comparing this value with the book value of the investment, equal to € 26.0 million, a gain on disposal of € 3.4 million emerges.

Section 17 – Value adjustments to goodwill - Item 240

On the basis of the "impairment test" carried out on the goodwill recorded under item 100 "Intangible assets" of the Balance Sheet Assets, as reported in the comment to section 10 of Part B - Information on the Balance Sheet, it was necessary to make a value adjustment of € 128 thousand on the Goodwill relating to the lending and custody and individual asset management business unit in the financial years 2003 and 2004. Please refer to the relevant section of the notes for further details.

Section 19 – Tax on income for the year for continuing operations – Item 270

19.1 Tax on income for the year for continuing operations: breakdown

Income components/Amounts	2021	2020
1. Current taxes (-)	(4,219)	(1,758)
2. Changes in current taxes of previous years (+/-)	(37)	74
3. Decreases in current taxes for the year (+)	-	-
3.bis Decreases in current taxes for the year due tax credit pursuant to in Law No. 214/2011 (+)	-	-
4. Change in deferred tax assets (+/-)	(188)	(2,275)
5. Change in deferred tax liabilities (+/-)	422	-
6. Tax expense for the year (-) (-1+/-2+3+3bis+/-4+/-5)	(4,022)	(3,959)

With reference to the previous year, the portion of the current IRES charge subject to offsetting with previous losses, equal to € 1,952 thousand of prepaid tax assets, was included in point 4) change in prepaid taxes. This offsetting has fully absorbed the previous losses, therefore the current IRES 2021 is incorporated in its entirety in Current taxes.

19.2 Reconciliation of theoretical to actual tax charge

Income components/Amounts	2021
Current taxes:	***(4,219)***
IRES	(3,782)
- of which a decrease in deferred tax assets for offsetting past tax losses	
IRAP	(437)
Change in deferred tax assets:	***(188)***
IRES increases	305
IRES decreases	(459)
IRAP increases	7
IRAP decreases	(41)
Change in deferred tax liabilities:	***422***
IRES increases	
IRES decreases	351
IRAP increases	
IRAP decreases	71
Changes of current taxes of previous years	***(37)***
Taxes pertinent to the period	**(4,022)**

IRAP (Amounts in €/thousand)	**2021**
Gross profit for the year	20,677
Theoretical rate	5.60%
Theoretical tax burden	1,152
Non-relevant IRAP costs/revenues	48,312
Increases	5,868
Decreases	(67,000)
Total changes	(12,820)
Tax charge on changes	(714)
Taxable current taxes	7,857
Current tax burden	437
Increase in deferred tax assets for deductible temporary differences	(7)
Decrease in deferred tax assets for deductible temporary differences	41
Increase in deferred tax liabilities for taxable temporary differences	0
Decrease in deferred tax liabilities for taxable temporary differences	(71)
Actual tax burden - taxes for the year	400
Actual tax burden - taxes for the year %	1.90%

IRES (Amounts in €/thousand)	**2021**
Gross profit for the year	20,677
Theoretical rate	27.50%
Theoretical tax burden	5,686
Increases	3,255
Decreases	(10,178)
Total changes	(6,923)
Tax charge on changes	(1,904)
Taxable current taxes	13,754
Current tax burden	3,782
Increase in deferred tax assets for deductible temporary differences	(305)
Decrease in deferred tax assets for deductible temporary differences	459
Increase in deferred tax liabilities for taxable temporary differences	0
Decrease in deferred tax liabilities for taxable temporary differences	(351)
Actual tax burden - taxes for the year	3,585
Actual tax burden - taxes for the year %	17.30%

Section 20 - Profit/(loss) from discontinued operations after tax - Item 290

20.1 Profit/(loss) from discontinued operations after tax: breakdown

Income components/Amounts	Total 31/12/2021	Total 31/12/2020
1. Income	4,367	-
2. Charges	-	-
3. Result of the valuations of the group of assets and associated liabilities	-	-
4. Profit/(losses) on realisation	-	-
5. Taxes and duties	(182)	-
Profit/(loss)	**4,185**	**-**

The income shown in the table refers to the dividend that the subsidiary Banque Profil de Gestion, classified among assets held for sale at the time of the dividend, distributed to shareholders in April 2021. The current taxes directly referable to this income have also been reclassified in the balance sheet item.

20.2 Detail of income taxes relating to discontinued operations

The taxes recognised in this item, equal to € 182 thousand, refer entirely to current taxes.

Section 22 - Earnings per Share (EPS)

22.1 Average number of diluted ordinary shares

The average number of Banca Profilo's shares outstanding in 2021 was 653,617,492 determined on a monthly basis and taking into account the shares issued net of treasury shares in the portfolio. Basic earnings per share in 2021 amounted to € 0.025. The average number of ordinary shares with diluted capital was 653,617,492. Diluted earnings per share for 2021 are therefore also equal to € 0.025.

Part D – Statement of Comprehensive Income

Items (€/thousand)	Total 2021	Total 2020
10. Profit/(loss) for the year	16,460	13,112
Other income without reversal to income statement	**(1,208)**	**2,432**
20. Equity securities measured at fair value through other comprehensive income	(1,109)	2,491
a) changes in fair value	(746)	2,491
b) transfers to other components of shareholders' equity	(363)	0
70. Defined benefit plans	8	(43)
100. Income taxes relating to other income without reversal to the income statement	(107)	(16)
Other income with reversal to income statement	**(512)**	**3,297**
150. Financial assets (other than equity securities) measured at fair value through other comprehensive income	(765)	4,927
a) changes in value	593	2,897
b) reversal to income statement	(1,358)	2,030
- adjustments for credit risk	81	(46)
- realised gains/losses	(1,439)	2,076
180. Income taxes relating to other income without reversal to the income statement	253	(1,630)
190. Total other income	**(1,720)**	**5,729**
200. Comprehensive income (Item 10+190)	**14,740**	**18,841**

PART E - Information on Risks and Hedging Policies

Section 1 - credit risks

QUALITATIVE INFORMATION

1 General information

Banca Profilo carries out traditional lending activities, in compliance with the Credit Policy guidelines approved by the Parent Company's Board of Directors. Since the Bank's core business is Private Banking, its credit policy favours loans to private customers, in the form of Lombard loans, i.e. loans secured by pledges on financial instruments or asset management schemes held by customers with Banca Profilo or by mortgage guarantees.

During 2021, within a specific ceiling approved by the Board of Directors, Banca Profilo pursued the disbursement of loans to companies guaranteed by the MCC Guarantee Fund or by SACE, in accordance to the provisions of the so-called Liquidity Decree.

With particular reference to the moratoria in compliance with Italian Law Decree no. 18 of 17 March 2020 and the disbursements in accordance with Italian Law Decree no. 23 of 8 April 2020, Banca Profilo had outstanding moratoria of € 3.0 million at 31 December 2021. During the year, moratoria were activated on a number of entirely residual positions, for which an accounting and prudential treatment was carried out in accordance with the EBA Guidelines of 25 March 2020 and 2 April 2020. For more details from a quantitative point of view, please refer to the following section "Quantitative information".

In compliance with current regulations on the subject, the disclosure by entities to the public (Third Pillar) provided for by Regulation (EU) no. 575/2013 ("CRR"), drawn up by the Banca Profilo banking group, Arepo BP S.p.A., is made public, in accordance with the law, on the Banca Profilo website in the Investor Relations area, in the Pillar III Public Disclosure section.

Delivery and counterparty risks are instrumental to the performance of operations typical of the Finance Area. The Bank operates in such a way as to minimise these credit risk components: a) for delivery risk, by using DVP (delivery versus payment) type guarantee mechanisms for the settlement of transactions; b) for counterparty risk, by using collateral agreements with daily margining with all financial counterparties with which it operates in over-the-counter or repo derivatives.

As of October 2021, the Bank complied with the EMIR clearing obligation for over-the-counter derivatives, to which it is subject, having exceeded one of the exemption thresholds provided for by EU legislation in the last year of observation.

Impacts resulting from the COVID-19 pandemic
With reference to credit risk, the economic crisis resulting from the COVID-19 pandemic could impact in the medium to long term on the ability of businesses and households to regularly repay their debts to the banking system. This, in addition to causing an increase in impaired loans, could also have a negative impact on the valuation of performing loans, with a prospective increase in overall impairment, without prejudice to the impacts and mitigations attributable to the effects of government measures undertaken in the last two years. Given the amount and type of loans disbursed (mainly Lombard receivables to private customers, guaranteed by pledges on securities), this risk for Banca Profilo is limited overall.

As previously mentioned, during the course of 2021, within a specific ceiling approved by the Board of Directors, Banca Profilo pursued the disbursement of loans to companies guaranteed by the Guarantee Fund or by SACE, in accordance to the provisions of the so-called Liquidity Decree: on the portion of the loans not guaranteed by the Fund (10% - 20% of the total, depending on the case), the Bank is subject to the risk that the prolongation of the pandemic situation could cause a deterioration of loans and an increase in impairment.

Furthermore, the very volatile trend of the financial markets could also have a negative impact on the value of the collateral held (mainly securities), therefore the frequency of checks on the adequacy of the collateral was stepped up with respect to the ordinary frequency. Furthermore, as previously illustrated, with reference to the definition of the collective value adjustments on the performing receivables portfolio, the macroeconomic scenarios underlying the definition of the PD used in the collective devaluation were updated, in order to anticipate the expected negative effects on the economy.

Update of rating models

At the beginning of 2021, the CSE outsourcer carried out an update of the rating model aimed at including the new definition of default and therefore a recalibration of the underlying models and indicators over a more recent time horizon. Following this update, the Bank carried out an analytical assessment of a significant portion of its loan portfolio (approximately 11% of loans to customers at 31 December 2021), confirming its classification at stage 1.

New Definition of Default ("DoD")

It should be noted that, with effect from 1 January 2021, the application of the New Definition of Default ("DoD" - Definition of Default), contained in article 178 of Regulation 575/2013 (CRR) already compliant with the definition of "impaired" financial assets contained in the IFRS 9 accounting standards, became compulsory.

The aforementioned legislation, while confirming the bases of default in late payments and probable default by the debtor, introduces some more stringent criteria for identifying impaired positions and for the subsequent return to performing status. In particular, the New Definition of Default establishes the criteria for identifying past due, the management method of the indicators to be considered for the purpose of identifying probable default, the specific aspects of retail exposures and the criteria for returning to a performing status. In detail, the main changes introduced with respect to the legislation in force previously concern the following areas:

- new definition of past due:
  - lowering the "relative" relevance threshold from 5% to 1% (threshold calculated as the ratio between the past due and/or overdrawn amount and the customer's overall exposure, both determined at Banking Group level without off-setting with any available margins of other credit lines);
  - introduction of an "absolute" significance threshold differentiated by type of exposure (€ 100 for retail and € 500 for non-retail, to be compared with the total amount past due and/or overdrawn by the debtor);
  - classification of a debtor in default (NPE) when both relevance thresholds are jointly exceeded for 90 consecutive days;
- introduction of an observation period of at least 3 months in preparation for the reclassification to performing for debtors previously classified as default (Non Performing Exposure) who regularise their position;
- classification of a debtor in default in a homogeneous manner at the level of the Banking Group, that is, on all the credit obligations active at the Group companies;
- classification of the debtor in a state of default in the event that the onerous restructuring involves a reduced financial obligation, greater than 1% compared to the previous one (i.e. Δ NPV> 1%);
- introduction of new propagation rules/evaluation of the propagation of the default status of a position on the basis of the existing link with other positions that have passed into non-performing status;
- impossibility for the bank to offset the past due/overdrawn amounts existing on some credit lines of the debtor with other credit lines open and not used by the same (so-called available margins).

In light of the high credit quality of the bank's loan portfolio and the limited overdraft positions as of 1 January 2021, the first application of the criteria envisaged by the New Definition of Default had negligible impacts in terms of both classification among impaired positions (past due) and in terms of value adjustments.

Geopolitical risk

An update on the exposure to potential direct and indirect impacts possibly deriving from the current crisis in Ukraine is provided below.

The Bank's direct exposure to Russian or Ukrainian counterparties is nil, as the Finance Area has no counterparties resident in these jurisdictions or investments in bonds or shares of issuers resident in the two countries or denominated in roubles and, with reference to credit activity, there are no loans granted to Russian or Ukrainian customers or to companies that operate directly with those markets.

As regards the possible indirect effects, the general trend of the financial markets should be noted first of all, which are suffering very negative effects from the current crisis. This trend could negatively affect the performance of some trading desks, especially the equity ones characterised by directional strategies.
Furthermore, in the long term, the Bank's exposure must be considered, both in terms of equity and bond investments and in terms of counterparty risk to those Italian and foreign banks which in turn have a significant exposure to Russia and the Ukraine.
The above risks are constantly monitored and some risk mitigation measures have already been implemented, especially on the share portfolio. Overall, however, it should be noted that the overall performance of Banca Profilo's financial portfolio has not currently been negatively affected by market trends, having recorded a performance exceeding the budget target for the period and the result achieved last year on the same date (reference date 10 March).
With reference to credit activity, the persistence of the conflict situation and the sanctioning regime could have heavy effects on the Italian production system, linked to the ever-increasing cost of energy and some raw materials (or even the interruption of some supplies). This situation could have negative consequences on the ability of some companies to repay the loans provided by the Bank. In this regard, however, it should be noted that the loans to operating companies disbursed by the Bank are substantially all guaranteed by the MCC Guarantee Fund and this helps to contain the Bank's overall exposure in this scenario.
A sharply negative market trend could also erode the value of the securities that private customers have pledged with the Bank as collateral for Lombard loans. For this reason, the frequency of checks on the adequacy of the pledges has been prudently increased: currently, none of the Lombard loans have guarantees in which the margins have been eroded beyond the limits that lead to the activation of internal escalation processes.

2 Credit risk management policies

2.1 Organisational aspects

In accordance with the Guidelines issued by the Parent Company and the Group Risk Appetite Framework (RAF), for the performance of activities involving the assumption of credit risk, the Bank has adopted specific Credit Regulations, which formalise the processes and criteria to be applied when granting loans or a credit line: this document is approved by the Board of Directors and periodically reviewed.

The Credit Regulations are based on the following guidelines:

- separation of tasks and responsibilities between the functions that manage the relationship and instruct credit line practices, those that grant and administer credit lines and those that measure and monitor risks;
- • attribution of the concession activity to collective bodies (Credit Committee or Board of Directors), with different powers depending on the type of line requested, the amount, the existence or otherwise of collateral based on well-defined limits of autonomy; the decision-making autonomy of individual parties (Chief Executive Officer or other equivalent function) may be provided for operations of reduced amount.

The Credit Regulations also provide for the following:

- the types of collateral deemed eligible and the criteria for determining the spread applied to each type of collateral; the spread shall be determined prudently, taking into account the degree of liquidity of the collateral and the possible variability of its value in relation to changes in market factors;
- the technique of measuring counterparty risk according to a "mark to market + add on" methodology;
- the frequency of monitoring compliance with the lines or credit lines granted, the creditworthiness of the customer or counterparty, the appropriateness of the value of the guarantees.

2.2 Management, measurement and control systems

The Bank's Credit Function verifies at least monthly the amount of loans granted and disbursed, the adequacy of guarantees or collateral received, compliance with credit lines for derivative transactions and prepares the related reports at meetings of the Credit Committee and the Board of Directors. The same function periodically reviews the creditworthiness of customers and counterparties.

The Risk Management Function verifies the correct operation of performance monitoring on individual exposures, in particular non-performing exposures, and the consistency of classifications, the appropriateness of provisions and the adequacy of the recovery process.

In accordance with supervisory regulations, counterparty risk is measured internally in terms of mark to market + add on. An amount (add on) is added to the mark to market of the outstanding derivatives, which represents the current exposure to a given counterparty, to take into account the potential future exposure associated with the individual contracts. The add on is differentiated for each derivative contract, depending on its residual duration and type.

2.3 Methods to measure expected losses

The expected loss model has been adopted to measure the impairment of financial assets held in the portfolio, with two types of calculation: 12 months expected credit losses for loans classified as stage 1 and lifetime expected credit losses for those classified as stage 2 or 3.

Non-performing loans are subject to an analytical valuation process regardless of the amounts involved. The quantification of impairment also takes into account existing guarantees. More specifically, the policy on the criteria for the classification and valuation of company assets establishes the minimum write-down percentages for the various stages of non-performing loans, set out below and which can only be reduced in the presence of objective evidence: the actual write-down percentages are decided by the Credit Committee. In particular, past due/overdrawn positions are broken down internally on the basis of:

- days of continuous past due (more than 90 days);
- presence of collateral received;
- percentage coverage of the position by the guarantees.

On the basis of the three indicators, a consistent write-down percentage is applied.

Loans and securities for which no objective evidence of loss has been individually identified fall within the so-called “performing loans” (performing positions) and are subject to collective valuation.
The valuation model for the Generic fund must be established on the basis of the following formula:
ECL = EAD x PD x LGD
where:
ECL = Expected Credit Loss
EAD = Exposure at Default
PD = Probability of Default
LGD = Loss given Default

Collective write-downs of securities and loans must therefore be calculated according to the following principles:

- at each reporting date, if the credit risk of a financial instrument has not significantly increased with respect to the date of disbursement or purchase (stage 1), the expected loss for that financial instrument should be measured as the amount of expected losses in the following 12 months;
- at each reporting date, if the credit risk of a financial instrument has significantly increased with respect to the date of disbursement or purchase (stage 2), the expected loss for that financial instrument should be measured as the amount of expected losses over the remaining life of the instrument (lifetime).

For the purposes of staging financial assets each asset is classified at the origination date in “stage 1” and subsequently:

- with regard to securities, the deterioration of three notches on the rating attributed to the instrument itself by external rating agencies, together with a final speculative grade rating, will be considered evidence of a significant increase in credit risk, and therefore a move to “stage 2” for the security;
- with regard to loans, the deterioration of three notches on the internal rating assigned to the position will be considered evidence of a significant increase in credit risk. In this regard, the credit risk of an asset may not be considered significantly increased if, at the measurement date, the credit risk of the asset itself is considered low on the basis of the assessments made by the Credit Committee.

With regard to the criteria for determining PDs and LGDs to be applied by counterparty and instrument to positions, the approaches differ between securities and loans.

With regard to securities, issuer-specific PDs are extracted from listed credit spreads (CDS and listed bonds) or, in the absence of significant market data for an issuer, by proxy methodology. Market spreads are stripped of the risk premium component to arrive at the estimate of real PDs according to a "real world" approach.
LGDs are associated with the respective issues, differentiating according to the level of subordination (senior and subordinated issues) and the country of the issuer (60% and 80% for a developed country issuer, 75% and 100% for an emerging country issuer, respectively); for covered issues, the LGD varies (from 20% to 60%) depending on the rating assigned to the security in question.

With reference to loans, the PDs used are estimated starting from the construction of Pit (Point in time) migration matrices from historical databases on which future PDs are built based on simulations of different macroeconomic scenarios. Finally, PD averages weighted by the probability of occurrence of the scenarios are calculated. For guaranteed loans, the LGDs obtained on the basis of the consortium models are adjusted to 5% if the value of the guarantee (net of internally established prudential spreads) is large in relation to the value of the loan disbursed.

With regard to the historical series of default rates, the bank updated the data at the beginning of 2022, using the data as at 31 December 2021, taking into account the changes in status recorded in 2021 on its credit positions in order to have a more precise calibration of the historical series recorded in the valuation model at the consortium level. In addition, the main macroeconomic variables were updated to determine the forward looking component.
Specifically, three macroeconomic scenarios have been selected at the consortium level: a baseline, an up scenario and a down scenario.

The baseline scenario is the central reference scenario and is therefore considered to be the most likely scenario. The "Down" and "Up" Scenarios represent alternative, respectively worse and better scenarios than the "Baseline Scenario":

- According to the "Baseline Scenario", the Italian economy, after contracting by 8.9% in 2020, recorded growth of 6% in 2021. Economic expansion is expected to continue over the next three years, with GDP growing by 3.9% in 2022, 2.8% in 2023 and 1.9% in 2024. The unemployment rate, after an estimated peak of 10.6% for the fourth quarter of 2021, is expected to gradually decline reaching 9.1% at the end of 2024. Interest rates are expected to slightly but steadily rise. The three-month Euribor is estimated to rise progressively from around -0.58% in December 2021 to reach -0.14% at the end of 2024.
- The "Down Scenario" outlines a recessionary context for the Italian economy after the 5.8% rebound estimated for 2021. A new period of economic contraction is expected from 2022, with GDP estimated to decline by 0.4% in 2002 and by 1.3% in 2023. Consequently, the unemployment rate is expected to increase gradually, reaching an average of 11.2% in 2022, 13.9% in 2023 and 15% in 2024. Interest rates are expected to slightly and steadily rise. The three-month Euribor is estimated to rise progressively from around -0.58% in December 2021 to reach 0.03% at the end of 2024. In this context, the spread is estimated to worsen, reaching an average of 315 basis points over the course of 2023. A new economic recovery is only expected from 2024 onwards.
- The "Up Scenario" outlines a context in which the contraction of Italian GDP in 2020 is followed by four years of strong economic expansion, by 6.2% in 2021, 6.4% in 2022, 5.5% in 2023 and 2.0% in 2024. The unemployment rate, after the peak of 10% reached in the second half of 2020, is expected to gradually decline, reaching 5.4% at the end of 2024. Interest rates are expected to be constant over the time horizon.

Changes due to COVID-19

As reported in the previous paragraph "Impacts deriving from the COVID-19 pandemic" in section 1, given the amount and type of loans granted by the Bank (mainly Lombard loans to private customers, guaranteed by pledges on securities), the impacts on credit risk deriving from the pandemic are limited overall for Banca Profilo. The credit risk assessment models did not require any particular changes, except for the updating of the macro-economic scenarios underlying the definition of the PDs used in the collective devaluation to take into account the forward looking information, and the assessment of guarantees in the definition of credit risk concerning the disbursement of loans to companies guaranteed by the Guarantee Fund or by SACE, however, limited to a small number of interested counterparties. With reference to the guarantees held, mainly represented by securities, considering that the volatile trend of the financial markets could have a negative impact on the value of the guarantees, the frequency of checks on the adequacy of credit exposures was intensified. As far as the moratoria are concerned, it should be noted that those requests were in compliance with Italian Legislative Decree no. 18 of 17 March 2020, and that as of 31 December 2021, there were moratoria in place for Banca Profilo limited to € 3.0 million. During the year, moratoria were activated on a number of entirely residual positions, equal to a total of € 0.2 million of affected performing loans, for which an accounting and prudential treatment was carried out in accordance with the provisions of the EBA Guidelines; in consideration of the contained case, no appreciable adjustments were necessary in the process of assessing the significant increase in credit risk.

2.4 Credit risk mitigation policies

To contain the counterparty risk and in compliance with the provisions of the so-called EMIR Regulations, Banca Profilo has entered into collateralisation agreements with all the financial intermediaries with which it operates in the market. These agreements provide for the daily quantification of the reciprocal exposure between two counterparties in terms of the mark-to-market of the derivatives in position and the simultaneous payment of collateral (cash) to secure the exposure, if it exceeds a contractually agreed amount.

As already illustrated, starting from October, the Bank complied with the EMIR clearing obligation for over-the-counter derivatives, to which it is subject having exceeded the exemption threshold provided for by EU legislation in the last year of observation with reference to credit derivatives.

The loans granted, on the other hand, are generally covered by collateral and personal guarantees. The types of guarantees involved are:

- pledges on securities deposited with the Bank by customers, managed or administered;
- mortgages on property, against a small proportion of loans granted (mostly to employees);
- Guarantee Fund or SACE on loans granted to companies according to the so-called Liquidity Decree;
- sureties;
- other guarantees (assignment of credit, etc.).

3 Non-performing credit exposures

At 31 December 2021, with reference to traditional financing activities and trade receivables, at Banca Profilo non-performing loans amounted to a gross amount of € 11.5 million, written down by approximately 51%.

3.1 Management strategies and policies

The Bank, in compliance with current supervisory regulations, ensures the correct classification of non-performing loans.
Non-performing loans are subject to an analytical valuation process regardless of the amounts involved. The quantification of impairment takes account of existing guarantees.

Loans past due and/or overdrawn by more than 90 days on an ongoing basis

The total exposure shall be recognised as past due and/or overdrawn if, at the reporting date, the higher of the following two values is equal to or above the 5% threshold:

- average of the past due and/or overdrawn portion on the entire exposure recorded on a daily basis and in the last quarter of the previous year;
- past due and/or overdrawn portion of the entire exposure at the reporting date.

Past due/overdrawn positions are broken down internally on the basis of:

- days of continuous past due (more than 90 days);
- presence of collateral;
- percentage coverage of the position by the guarantees.

Based on these indicators, a minimum write-down percentage is applied.

The write-down percentages and the assumptions that led to their determination are decided by the Credit Committee, on the proposal of the Credit Function and verified by the Risk Management Function.

Unlikely to pay
Classification in this category is linked to the Bank's opinion that, without recourse to actions such as enforcement of guarantees, the debtor is unlikely to meet its credit obligations in full (principal and/or interest). This assessment is independent of whether or not there are any overdue and unpaid amounts.
The classification as Unlikely to pay takes place by resolution of the Credit Committee, on the proposal of the Credit Function.
The assessment process takes into account the guarantees received and the percentage coverage of the position by these guarantees, applying minimum write-down percentages.
The percentages calculated in this way and the assumptions that led to their determination are decided by the Credit Committee, on the proposal of the Credit Function and verified by the Risk Management Function.

Bad loans
Exposures to parties in a state of insolvency, even if not judicially ascertained or in substantially comparable situations.
The Board of Directors is responsible for deciding on the bad loan status and determining the write-down to be applied.
The Credit Committee, having obtained the opinion of the Risk Management Function, prepares the report to the Board of Directors with a proposal for the attribution of the state of insolvency, the reasons and the write-down percentage to be applied, applying minimum values.

The assessment process for non-performing loans must take place at least once a year when the annual financial statements are drawn up and whenever anomalies are found on individual non-performing positions.

4 Financial assets subject to commercial re-negotiations and exposures subject to concessions

Please refer to what is stated in the paragraph "Changes due to COVID-19" in the previous section 2.3.

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

A.1 Non-performing and performing credit exposures: amounts, value adjustments, changes and economic distribution

A.1.1 Breakdown of financial assets by portfolio and credit quality (book values)

Portfolios/quality	Bad loans	Unlikely to pay	Non-performing past due exposures	Performing past due exposures	Other performing exposures	Total
1. Financial assets measured at amortised cost	-	5,469	214	630	963,922	970,236
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	209,454	209,454
3. Financial assets designated at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	-	-
5. Financial assets held for sale	-	-	-	-	-	-
Total 31/12/2021	**-**	**5,469**	**214**	**630**	**1,173,376**	**1,179,689**
Total 31/12/2020	**-**	**762**	**169**	**625**	**977,198**	**978,754**

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

Portfolios/quality	Non-performing				Performing			Total (net exposure)
	Gross exposure	Overall value adjustments	Net exposure	Total partial write-offs*	Gross exposure	Overall value adjustments	Net exposure	
1. Financial assets measured at amortised cost	11,526	(5,843)	5,683	-	965,003	(450)	964,553	970,236
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	209,576	(122)	209,454	209,454
3. Financial assets designated at fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	X	X	-	-
5. Financial assets held for sale	-	-	-	-	-	-	-	-
Total 31/12/2021	**11,526**	**(5,843)**	**5,683**	**-**	**1,174,579**	**(572)**	**1,174,007**	**1,179,690**
Total 31/12/2020	**5,476**	**(4,545)**	**931**	**-**	**978,525**	**(703)**	**977,823**	**978,754**

**Value to be presented for disclosure purposes*

Portfolios/quality	Assets with evident poor credit quality		Other assets
	Accumulated capital losses	Net exposure	Net exposure
1. Financial assets held for trading	-	-	288,529
2. Hedging derivatives	-	-	1,444
Total 31/12/2021	**-**	**-**	**289,973**
Total 31/12/2020	**-**	**-**	**325,034**

A.1.3 Breakdown of financial assets by past due ranges (book values)

Portfolios/risk stages	Stage 1			Stage 2			Stage 3			Impaired, acquired, or originated		
	1 to 30 days	Over 30 to 90 days	Over 90 days	1 to 30 days	Over 30 to 90 days	Over 90 days	1 to 30 days	Over 30 to 90 days	Over 90 days	1 to 30 days	Over 30 to 90 days	Over 90 days
1. Financial assets measured at amortised cost	2	17	610	-	1	-	-	-	5,683	-	-	-
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
3. Financial assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-
Total 31/12/2021	**2**	**17**	**610**	**-**	**1**	**-**	**-**	**-**	**5,683**	**-**	**-**	**-**
Total 31/12/2020	**201**	**246**	**-**	**-**	**18**	**160**	**-**	**-**	**931**	**-**	**-**	**-**

A.1.4 Financial assets, commitments to pay funds and financial guarantees issued: changes in overall value adjustments and in total provisions

Types/risk stages	Overall value adjustments																	
	Assets included in stage 1						Assets included in stage 2						Assets included in stage 3					
	On-demand receivables to banks and Central Banks	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual write-downs	of which: collective write-downs	On-demand receivables to banks and Central Banks	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual write-downs	of which: collective write-downs	On-demand receivables to banks and Central Banks	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual write-downs	of which: collective write-downs
Overall adjustments, opening balance	**32**	**584**	**110**	**-**	**-**	**726**	**-**	**9**	**-**	**-**	**-**	**9**	**-**	**4,545**	**-**	**-**	**4,545**	**-**
Increases from financial assets acquired or originated	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Derecognitions other than write-offs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net value adjustments/reversals for credit risk (+/-)	(20)	(157)	12	-	-	(165)	-	15	-	-	-	14	-	1,298	-	-	1,298	-
Contractual changes without derecognitions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in estimation method	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not directly recorded in the income statement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Overall adjustments, closing balance	**12**	**427**	**122**	**-**	**-**	**561**	**-**	**23**	**-**	**-**	**-**	**23**	**-**	**5,843**	**-**	**-**	**5,843**	**-**
Recoveries from collections of financial assets subject to write-off	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs directly recorded in the income statement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Individual:

A.1.4 Financial assets, commitments to pay funds and financial guarantees issued: changes in overall value adjustments and in total provisions

Types/risk stages	Overall value adjustments					Total provisions for commitments to disburse funds and financial guarantees issued				Total
	Impaired financial assets, acquired or originated									
	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual write-downs	of which: collective write-downs	Stage 1	Stage 2	Stage 3	Commitments to disburse financial funds and guarantees issued impaired acquired/or originated/	
Overall adjustments, opening balance	**-**	**-**	**-**	**-**	**-**	**50**	**7**	**-**	**-**	**5,337**
Increases from financial assets acquired or originated	X	X	X	X	X	-	-	-	-	**-**
Derecognitions other than write-offs	-	-	-	-	-	-	-	-	-	**-**
Net value adjustments/reversals for credit risk (+/-)	-	-	-	-	-	(30)	(7)	-	-	**1,110**
Contractual changes without derecognitions	-	-	-	-	-	-	-	-	-	**-**
Changes in estimation method	-	-	-	-	-	-	-	-	-	**-**
Write-offs not directly recorded in the income statement	-	-	-	-	-	-	-	-	-	**-**
Other changes	-	-	-	-	-	-	-	-	-	**-**
Overall adjustments, closing balance	**0**	**0**	**0**	**0**	**0**	**20**	**0**	**0**	**0**	**6,447**
Recoveries from collections of financial assets subject to write-off	-	-	-	-	-	-	-	-	-	**-**
Write-offs directly recorded in the income statement	-	-	-	-	-	-	-	-	-	**-**

A.1.5 Financial assets, commitments to pay funds and financial guarantees issued: transfers between the different credit risk stages (gross and nominal amounts)

Portfolios/risk stages		Gross values/nominal value					
		Transfers between stage 1 and stage 2		Transfers between stage 2 and 3		Transfers between stage 1 and 3	
		From stage 1 to stage 2	From stage 2 to stage 1	From stage 2 to stage 3	From stage 3 to stage 2	From stage 1 to stage 3	From stage 3 to stage 1
1. Financial assets measured at amortised cost		3,259	568	-	-	6,034	2
2. Financial assets measured at fair value through other comprehensive income		-	-	-	-	-	-
3. Financial assets held for sale		-	-	-	-	-	-
4. Commitments to disburse funds and financial guarantees issued		-	840	-	-	-	-
Total	**31/12/2021**	**3,259**	**1,408**	**-**	**-**	**6,034**	**2**
Total	**31/12/2020**	**169**	**910**	**-**	**-**	**-**	**-**

A.1.5a Loans subject to COVID-19 support measures: transfers between the different stages of credit risk (gross values)

Portfolios/quality	Gross values/nominal value					
	Transfers between stage 1 and stage 2		Transfers between stage 2 and 3		Transfers between stage 1 and 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 valued at amortised cost	**-**	**-**	**-**	**-**	**3,013**	**-**
A.1 subject to concession in accordance with GL	-	-	-	-	3,013	-
A.2 Subject to moratorium measures in place no longer compliant with GL and not assessed as subject to concessions	-	-	-	-	-	-
A.3 subject to other forbearance measures	-	-	-	-	-	-
A.4 new loans	-	-	-	-	-	-
B. Loans measured at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**
B.1 subject to concession compliant with GL	-	-	-	-	-	-
B.2 subject to existing moratoria measures that no longer comply with GL and are not assessed as concessionary	-	-	-	-	-	-
B.3 subject to other concession measures	-	-	-	-	-	-
B.4 new loans	-	-	-	-	-	-
Total 31/12/2021	**-**	**-**	**-**	**-**	**3,013**	**-**
Total 31/12/2020	**-**	**699**	**-**	**-**	**-**	**-**

A.1.6 On-balance sheet and off-balance sheet credit exposures to banks: gross and net amounts

Types of exposure/amounts	Gross exposure					Overall value adjustments and total provisions					Net Exposure	Total 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.1 On demand	**24,543**	**24,543**	**-**	**-**	**-**	**12**	**12**	**-**	**-**	**-**	**24,531**	**-**
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	24,543	24,543	-	X	-	12	12	-	X	-	24,531	-
A.2 Other	**149,251**	**149,251**	**-**	**-**	**-**	**74**	**74**	**-**	**-**	**-**	**149,177**	**-**
a) Bad loans	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
b) Unlikely to pay	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
c) Non-performing past due exposures	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
d) Performing past due exposures	-	-	-	X	-	-	-	-	X	-	-	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
e) Other performing exposures	149,251	149,251	-	X	-	74	74	-	X	-	149,177	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
Total (A)	**173,794**	**173,794**	**-**	**-**	**-**	**86**	**86**	**-**	**-**	**-**	**173,708**	**-**
B. Off-balance sheet credit exposures						-	-	-	-	-		
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	49,776	49,776	-	X	-	-	-	-	X	-	49,776	-
Total (B)	**49,776**	**49,776**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**49,776**	**-**
Total (A+B)	**223,570**	**223,570**	**-**	**-**	**-**	**86**	**86**	**-**	**-**	**-**	**223,484**	**-**

“Off-balance sheet” exposures to banks include all financial transactions other than on-balance sheet ones (guarantees issued, commitments, derivatives, etc.) which entail the assumption of credit risk, regardless of the purpose of said transactions (trading, hedging etc.).

A.1.7 On-balance sheet and off-balance sheet credit exposures to customers: gross and net amounts

Types of exposure/amounts	Gross exposure					Overall value adjustments and total provisions					Net Exposure	Total 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	2,717	X	-	2,717	-	2,717	X	-	2,717	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
b) Unlikely to pay	7,133	X	-	7,133	-	1,664	X	-	1,664	-	5,469	-
- of which: forborne exposures	3,013	X	-	3,013	-	405	X	-	405	-	2,608	-
c) Non-performing past due exposures	1,676	X	-	1,676	-	1,462	X	-	1,462	-	214	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
d) Performing past due exposures	631	630	1	X	-	1	1	-	X	-	630	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
e) Other performing exposures	1,233,032	1,228,760	4,272	X	-	497	474	23	X	-	1,232,535	-
- of which: forborne exposures	223	223	-	X	-	0	0	-	X	-	223	-
Total (A)	**1,245,189**	**1,229,390**	**4,273**	**11,526**	**-**	**6,341**	**475**	**23**	**5,843**	**-**	**1,238,848**	**-**
B. Off-balance sheet credit exposures												
a) Non-performing	2	X	-	2	-	-	X	-	-	-	2	-
b) Performing	741,587	741,417	170	X	-	20	20	-	X	-	741,567	-
Total (B)	**741,589**	**741,417**	**170**	**2**	**-**	**20**	**20**	**-**	**-**	**-**	**741,569**	**-**
Total (A+B)	**1,986,778**	**1,970,807**	**4,443**	**11,528**	**-**	**6,361**	**495**	**23**	**5,843**	**-**	**1,980,417**	**-**

"Off-balance sheet" exposures to customers include all financial transactions other than on-balance sheet ones (guarantees issued, commitments, derivatives, etc.) which entail the assumption of credit risk, regardless of the purpose of said transactions (trading, hedging, etc.).

A.1.7a Loans subject to COVID-19 support measures: gross and net values

Types of exposure/amounts	Gross exposure					Overall value adjustments						
		Stage 1	Stage 2	Stage 3	Impaired, acquired, or originated		Stage 1	Stage 2	Stage 3	Impaired, acquired, or originated	Net exposure	Total partial write-offs*
A. Non-performing loans:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Subject to concession compliant with GL	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratorium measures in place no longer compliant with GL and not assessed as subject to concessions	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New loans	-	-	-	-	-	-	-	-	-	-	-	-
B. Unlikely to pay loans:	**3,013**	**-**	**-**	**3,013**	**-**	**405**	**-**	**-**	**405**	**-**	**2,608**	**-**
a) Subject to concession compliant with GL	3,013	-	-	3,013	-	405	-	-	405	-	2,608	-
b) Subject to moratorium measures in place no longer compliant with GL and not assessed as subject to concessions	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New loans	-	-	-	-	-	-	-	-	-	-	-	-
C. Impaired overdue loans:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Subject to concession compliant with GL	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratorium measures in place no longer compliant with GL and not assessed as subject to concessions	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New loans	-	-	-	-	-	-	-	-	-	-	-	-
D. Other unimpaired overdue loans:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Subject to concession compliant with GL	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratorium measures in place no longer compliant with GL and not assessed as subject to concessions	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New loans	-	-	-	-	-	-	-	-	-	-	-	-
E. Other unimpaired loans:	**42,170**	**41,167**	**1,003**	**-**	**-**	**39**	**35**	**4**	**-**	**-**	**42,131**	**-**
a) Subject to concession compliant with GL	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratorium measures in place no longer compliant with GL and not assessed as subject to concessions	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New loans	42,170	41,167	1,003	-	-	39	35	4	-	-	42,131	-
Total (A + B + C + D + E)	**45,183**	**41,167**	**1,003**	**3,013**	**-**	**444**	**35**	**4**	**405**	**-**	**44,739**	**-**

A.1.9 On-balance sheet credit exposure to customers: changes in gross non-performing exposures

Types/Categories	Bad loans	Unlikely to pay	Non-performing past due exposures
A. Gross exposure, opening balance	**2,717**	**1,148**	**1,611**
- of which: exposures transferred but not de-recognised	-	-	-
B. Increases	**-**	**5,984**	**192**
B.1 transfers from performing exposures	-	5,973	102
B.2 transfers from impaired financial assets, acquired or originated	-	-	-
B.3 transfers from other categories of non-performing exposures	-	-	-
B.4 contractual modifications without derecognitions	-	-	-
B.5 other increases	-	12	90
C. Decreases	**-**	**-**	**127**
C.1 transfers to performing exposures	-	-	8
C.2 write-offs	-	-	-
C.3 collections	-	-	111
C.4 amount realised upon disposal of positions	-	-	-
C.5 losses on disposal	-	-	-
C.6 transfers to other categories of non-performing exposures	-	-	-
C.7 contractual modifications without derecognitions	-	-	-
C.8 other decreases	-	-	8
D. Gross exposure, closing balance	**2,717**	**7,133**	**1,676**
- of which: exposures transferred but not de-recognised	-	-	-

A.1.9bis On-balance-sheet credit exposures to customers: changes in gross exposures subject to concessions broken down by credit quality

Reason/Quality	Exposures subject to concessions: impaired	Exposures subject to concessions: not impaired
A. Gross exposure, opening balance	**-**	**-**
- of which: exposures transferred but not de-recognised	-	-
B. Increases	**3,013**	**223**
B.1 inputs from unimpaired exposures not subject to concessions	3,013	223
B.2 inputs from unimpaired exposures subject to concessions	-	X
B.3 inputs from impaired exposures subject to concessions	X	-
B.4 inputs from impaired exposures not subject to concessions	-	-
B.5 other increases	-	-
C. Decreases	**-**	**-**
C.1 outflows to unimpaired exposures not subject to concessions	X	-
C.2 outflows to unimpaired exposures subject to concessions	-	X
C.3 outflows to impaired exposures subject to concessions	X	-
C.4 write-offs	-	-
C.5 collections	-	-
C.6 amount realised upon disposal of positions	-	-
C.7 losses on disposal	-	-
C.8 other decreases	-	-
D. Gross exposure, closing balance	**3,013**	**223**
- of which: exposures transferred but not de-recognised	-	-

A.1.11 On-balance sheet non-performing credit exposures to customers: changes in overall value adjustments

Types/Categories	Bad loans		Unlikely to pay		Non-performing past due exposures	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. Overall adjustments, opening balance	**2,717**	**-**	**386**	**-**	**1,442**	**-**
- of which: exposures transferred but not de-recognised	-	-	-	-	-	-
B. Increases	**-**	**-**	**1,277**	**405**	**52**	**-**
B.1 value adjustments of impaired financial assets, acquired or originated	-	X	-	X	-	X
B.2 other value adjustments	-	-	-	-	-	-
B.3 losses on disposal	-	-	-	-	-	-
B.4 transfers from other categories of non-performing exposures	-	-	-	-	-	-
B.5 contractual modifications without derecognitions	-	-	-	-	-	-
B.6 other increases	-	-	1,277	405	52	-
C. Decreases	**-**	**-**	**-**	**-**	**31**	**-**
C.1 reversals from valuation	-	-	-	-	-	-
C.2 reversals from collection	-	-	-	-	24	-
C.3 profit from disposal	-	-	-	-	-	-
C.4 write-offs	-	-	-	-	-	-
C.5 transfers to other categories of non-performing exposures	-	-	-	-	-	-
C.6 contractual modifications without derecognitions	-	-	-	-	-	-
C.7 other decreases	-	-	-	-	7	-
D. Overall adjustments, closing balance	**2,717**	**-**	**1,664**	**405**	**1,462**	**-**
- of which: exposures transferred but not de-recognised	-	-	-	-	-	-

A.2 Classification of financial assets, commitments to pay funds and financial guarantees issued on the basis of external and internal ratings.

The Bank does not classify exposures according to external or internal ratings.

A.3 Breakdown of secured credit exposures by type of collateral

A.3.1 Secured on-balance sheet and off-balance sheet credit exposures to banks

	Gross exposure	Net exposure	Collateral				Personal guarantees (2)									Total
							Credit derivatives					Signature loans				
								Other derivatives								
			Property - mortgages	Property - Financing for lease	Securities	Other collateral	CLN	Central Counterparties	Banks	Other financial companies	Other entities	Public administration	Banks	Other financial companies	Other entities	(1) + (2)
1. Secured on-balance sheet credit exposures:	**12,465**	**12,465**	**-**	**-**	**12,265**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**12,265**
1.1 totally secured	3,612	3,612	-	-	3,612	-	-	-	-	-	-	-	-	-	-	3,612
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 partially secured	8,852	8,852	-	-	8,653	-	-	-	-	-	-	-	-	-	-	8,653
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Secured off-balance sheet credit exposures:	**21,322**	**21,322**	**-**	**-**	**21,322**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**21,322**
2.1 totally secured	21,322	21,322	-	-	21,322	-	-	-	-	-	-	-	-	-	-	21,322
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 partially secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A.3.2 Secured on-balance sheet and off-balance sheet credit exposures to customers

	Gross exposure	Net exposure	Collateral (1)				Personal guarantees (2)									Total
							Credit derivatives					Signature loans				
								Other derivatives								
			Property - mortgages	Property - Financing for lease	Securities	Other collateral	CLN	Central Counterparties	Banks	Other financial companies	Other entities	Public administration	Banks	Other financial companies	Other entities	(1) + (2)
1. Secured on-balance sheet credit exposures:	**447,506**	**445,012**	**60,860**	**-**	**261,641**	**83,192**	**-**	**-**	**-**	**-**	**-**	**32,628**	**-**	**706**	**2,511**	**441,539**
1.1 totally secured	342,763	340,443	60,860	-	190,375	81,475	-	-	-	-	-	7,357	-	104	272	340,443
- of which non-performing	7,216	5,168	240	-	2,013	307	-	-	-	-	-	2,504	-	104	-	5,168
1.2 partially secured	104,743	104,569	-	-	71,266	1,717	-	-	-	-	-	25,271	-	602	2,239	101,096
- of which non-performing	512	362	-	-	-	-	-	-	-	-	-	-	-	362	-	362
2. Secured off-balance sheet credit exposures:	**264,006**	**263,987**	**4,523**	**-**	**200,389**	**58,465**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**181**	**263,558**
2.1 totally secured	260,721	260,702	4,523	-	197,843	58,155	-	-	-	-	-	-	-	-	181	260,702
- of which non-performing	1	1	-	-	1	-	-	-	-	-	-	-	-	-	-	1
2.2 partially secured	3,285	3,285	-	-	2,545	310	-	-	-	-	-	-	-	-	-	2,855
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

B. BREAKDOWN AND CONCENTRATION OF CREDIT EXPOSURE

B.1 Breakdown of on-balance sheet and off-balance sheet credit exposures to customers by business segment (book value)

Exposures/Counterparties		Public administration		Financial companies		Financial 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. On-balance sheet credit exposures											
A.1 Bad loans		-	-	-	-	-	-	-	-	-	2,717
- of which: forborne exposures		-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay		-	-	1,867	848	-	-	3,362	432	240	384
- of which: forborne exposures		-	-	-	-	-	-	2,608	405	-	-
A.3 Non-performing past due exposures		-	-	-	0	-	-	151	1,460	63	2
- of which: forborne exposures		-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures		614,391	90	269,216	104	62	-	158,567	207	190,991	98
- of which: forborne exposures		-	-	-	-	-	-	-	-	223	0
Total (A)		**614,391**	**90**	**271,083**	**952**	**62**	**-**	**162,080**	**2.099**	**191,295**	**3,200**
B. Off-balance sheet credit exposures											
B.1 Non-performing exposures		-	-	2	-	-	-	-	-	-	-
B.2 Performing exposures		2,068	-	471,860	0	-	-	178,058	20	88,925	0
Total (B)		**2,068**	**-**	**471,862**	**0**	**-**	**-**	**178,058**	**20**	**88,925**	**0**
Total (A+B)	**31/12/2021**	**616,459**	**90**	**742,945**	**952**	**62**	**-**	**340,138**	**2,119**	**280,219**	**3,201**
Total (A+B)	**31/12/2020**	**546,386**	**90**	**307,980**	**186**	**150**	**-**	**551,403**	**1,818**	**264,507**	**3,165**

B.2 Breakdown of on-balance sheet and off-balance-sheet credit exposures to customers by geographic area

Part 1

Exposures/Geographic areas		Italy		Other European countries		America
		Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure
A. On-balance sheet credit exposures						
A.1 Bad loans		-	2,717	-	-	-
A.2 Unlikely to pay		3,965	966	1,504	698	-
A.3 Non-performing past due exposures		214	1,461	0	1	-
A.4 Performing exposures		1,054,001	442	160,532	54	11,365
Total (A)		**1,058,180**	**5,586**	**162,036**	**753**	**11,365**
B. Off-balance sheet credit exposures						
B.1 Non-performing exposures		0	-	1	-	-
B.2 Performing exposures		307,440	20	433,470	-	1
Total (B)		**307,440**	**20**	**433,472**	**-**	**1**
Total (A+B)	**31/12/2021**	**1,365,620**	**5,606**	**595,507**	**753**	**11,366**
Total (A+B)	**31/12/2020**	**1,006,254**	**5,171**	**631,344**	**80**	**31,311**

B.2 Breakdown of on-balance sheet and off-balance-sheet credit exposures to customers by geographic area

Part 2

Exposures/Geographic areas		America	Asia		Rest of the world	
		Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. On-balance sheet credit exposures						
A.1 Bad loans		-	-	-	-	-
A.2 Unlikely to pay		-	-	-	-	-
A.3 Non-performing past due exposures		-	-	-	-	-
A.4 Performing exposures		2	4,377	-	2,891	-
Total (A)		**2**	**4,377**	**-**	**2,891**	**-**
B. Off-balance sheet credit exposures						
B.1 Non-performing exposures		-	-	-	-	-
B.2 Performing exposures		-	-	-	-	-
Total (B)		**-**	**-**	**-**	**-**	**-**
Total (A+B)	**31/12/2021**	**2**	**4,377**	**-**	**2,891**	**-**
Total (A+B)	**31/12/2020**	**7**	**1,367**	**-**	**-**	**-**

B.3 Breakdown of on-balance sheet and off-balance-sheet credit exposures to banks by geographic area

Part 1

Exposures/Geographic areas	Italy		Other European countries		America
	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure
A. On-balance sheet credit exposures					
A.1 Bad loans	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-
A.3 Non-performing past due exposures	-	-	-	-	-
A.4 Performing exposures	109,659	29	64,034	58	-
Total (A)	**109,659**	**29**	**64,034**	**58**	**-**
B. Off-balance sheet credit exposures					
B.1 Non-performing exposures	-	-	-	-	-
B.2 Performing exposures	22,278	-	22,128	-	-
Total (B)	**22,278**	**-**	**22,128**	**-**	**-**
Total (A+B) 31/12/2021	**131,937**	**29**	**86,161**	**58**	**-**
Total (A+B) 31/12/2020	**149,396**	**24**	**231,672**	**22**	**-**

B.3 Breakdown of on-balance sheet and off-balance-sheet credit exposures to banks by geographic area

Part 2

Exposures/Geographic areas		America	Asia		Rest of the world	
		Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. On-balance sheet credit exposures						
A.1 Bad loans		-	-	-	-	-
A.2 Unlikely to pay		-	-	-	-	-
A.3 Non-performing past due exposures		-	-	-	-	-
A.4 Performing exposures		-	-	-	15	-
Total (A)		**-**	**-**	**-**	**15**	**-**
B. Off-balance sheet credit exposures						
B.1 Non-performing exposures		-	-	-	-	-
B.2 Performing exposures		-	-	-	-	-
Total (B)		**-**	**-**	**-**	**-**	**-**
Total (A+B)	**31/12/2021**	**-**	**-**	**-**	**15**	**-**
Total (A+B)	**31/12/2020**	**-**	**-**	**-**	**-**	**-**

B.4 Large exposures

	31/12/2021	31/12/2020
a) Amount - book value	2,176,085	1,198,702
b) Amount - weighted value	92,483	120,725
c) Number	10	16

Large exposures are any of the assets and off-balance sheet items referred to in Part Three, Title II Chapter 2 of Regulation (EU) no. 575/2013 (CRR) - without the application of risk weights or risk categories - to a customer or group of connected customers when its value is 10% or more of eligible capital.

C. Securitisation transactions

Banca Profilo has not carried out any securitisation transactions.

D. Disclosure on structured entities not consolidated line-by-line in the accounts (other than Special Purpose Vehicle for securitisation)

Banca Profilo has not carried out any transactions on structured entities.

E. Transfers

A. Financial assets sold and not fully derecognised

QUALITATIVE INFORMATION

Financial assets sold and not derecognised mainly refer to repurchase agreements carried out during the year on debt securities.
The Bank did not sell any non-performing loans by exchanging fund units.

QUANTITATIVE INFORMATION

E.1 Financial assets sold and fully recognised and associated financial liabilities: book values

	Financial assets sold fully recognised				Associated financial liabilities		
	Book value	of which: subject of securitisation operations	of which: subject of contracts of sale with repurchase obligation	of which non-performing	Book value	of which: subject of securitisation operations	of which: subject of contracts of sale with repurchase obligation
A. Financial assets held for trading	**233,547**	**-**	**233,547**	**X**	**230,753**	**-**	**230,753**
1. Debt securities	156,454	-	156,454	X	157,094	-	157,094
2. Equity securities	77,094	-	77,094	X	73,659	-	73,659
3. Loans	-	-	-	X	-	-	-
4. Derivatives	-	-	-	X	-	-	-
B. Other financial assets mandatorily measured at fair value	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Equity securities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
C. Financial assets designated at fair value	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-
D. Financial assets measured at fair value through other comprehensive income	**34,276**	**-**	**34,276**	**-**	**34,204**	**-**	**34,204**
1. Debt securities	34,276	-	34,276	-	34,204	-	34,204
2. Equity securities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
E. Financial assets measured at amortised cost	**256,632**	**-**	**256,632**	**-**	**274,755**	**-**	**274,755**
1. Debt securities	256,632	-	256,632	-	274,755	-	274,755
2. Loans	-	-	-	-	-	-	-
Total 31/12/2021	**524,455**	**-**	**524,455**	**-**	**539,711**	**-**	**539,711**
Total 31/12/2020	**320,081**	**-**	**320,081**	**-**	**317,230**	**-**	**317,230**

F. Credit risk measurement models

Banca Profilo does not use internal models to measure credit risk.

Section 2 – Market risk

2.1. Interest rate and price risk – Regulatory trading book
Qualitative information

A. General information

Depending on the purpose of the investment and its time period, the financial instruments involved in the activity have been included in different portfolios with different accounting treatment: Hold to Collect (HTC), Hold to Collect & Sell (HTC&S), OCI-Fair Value (OCIFV), Hold to Sell (HTS).

With particular reference to interest rate risk, the activities that can generate the same within Banca Profilo are:

- interest rate trading, conducted through the assumption of short-term positions on government securities and listed derivatives (interest rate or government bond futures);
- trading or stable investment activities involving bonds and the related derivatives portfolio - listed or over the counter - with which the Bank manages the interest rate risk of the securities portfolio.

The most significant exposures are on the Euro curve.

Impacts resulting from the COVID-19 pandemic

As far as market risks are concerned, the pandemic situation led to an immediate and unprecedented contraction of global GDP, with negative medium-term prospects, particularly impacting certain industrial sectors (transport, tourism, etc.). The economic recovery observed during 2021 remains highly dependent on the development of the infection situation. This situation of uncertainty could have a negative impact on all global stock markets, especially on the industrial sectors most impacted by the lockdown.

The intervention programmes that national governments have put in place to support the production system and families, in terms of size and duration, will determine an increase in public debts. Despite the massive intervention of the ECB, this situation of uncertainty could lead to an increase in the spread on Italian government securities, with consequent negative impacts on the income statement of the bank or on its equity ratios.

Over the last few years, the Bank has always favoured strategies with very low directional risks, characterised by arbitrage, basic trade and broad diversification on the trading portfolio, both in the equity and bond sectors. Such strategies should minimise the impact of any of the negative market scenarios described above.

B. Processes for the management and methods of measurement of interest rate risk and price risk

For the performance of activities involving the assumption of market risks, the Bank has adopted specific Regulations, in which the persons in charge of operational management are formalised for the different types of risk as well as the system of proxies and operating limits within which they are required to operate: this document is approved by the Board of Directors and periodically revised.

The Market Risk Regulations are based on the following guidelines:

- indicate which accounting portfolios are subject to operational delegation to the Finance Area and which are reserved for decisions by the Board of Directors;
- establish a system of operating limits consistent with the Group's RAF objectives and the Bank's capital endowment, organised for each portfolio/desk on two levels: a) general Value at Risk (VaR) and stop loss limits, valid for all types of market risk assumed by the various portfolios; b) specific limits for individual relevant market risk factors, established in terms of Greeks and sensitivity;
- provide for daily monitoring of all relevant risk indicators, profit & loss trends and compliance with operating limits, carried out by a control function (Risk Management) functionally and hierarchically independent from operational functions.

Trends in market and liquidity risks and the main operating positions are analysed by the Risk Committee, which normally meets fortnightly. The Board of Directors is regularly informed about the level of risks assumed by the various business units and compliance with the operating limits it has approved.
Specifically, with regard to interest rate risk, monitoring takes place in terms of interest rate sensitivity, i.e. the sensitivity of the portfolio's P&L to movements of 1 basis point in the interest curve. There is an overall sensitivity limit and specific limits for the individual reference curves and for the individual time segments of each curve.

Interest rate risk, together with other risk factors, is included in the calculation of the VaR of trading books. The VaR is only used for internal risk measurement purposes and not for the calculation of regulatory capital requirements for market risk, for which the standardised approach is adopted.

QUANTITATIVE INFORMATION

In 2021, the average exposure to interest rate risk of the securities and proprietary derivatives (trading and banking book) portfolios, calculated in terms of interest rate sensitivity for a parallel shift of 1 basis point in the interest rate curve, was approximately € 79,600 (compared to € 100,500 in 2020) for a year-end point value of € 50,459 (compared to € 80,149 at the end of 2020).

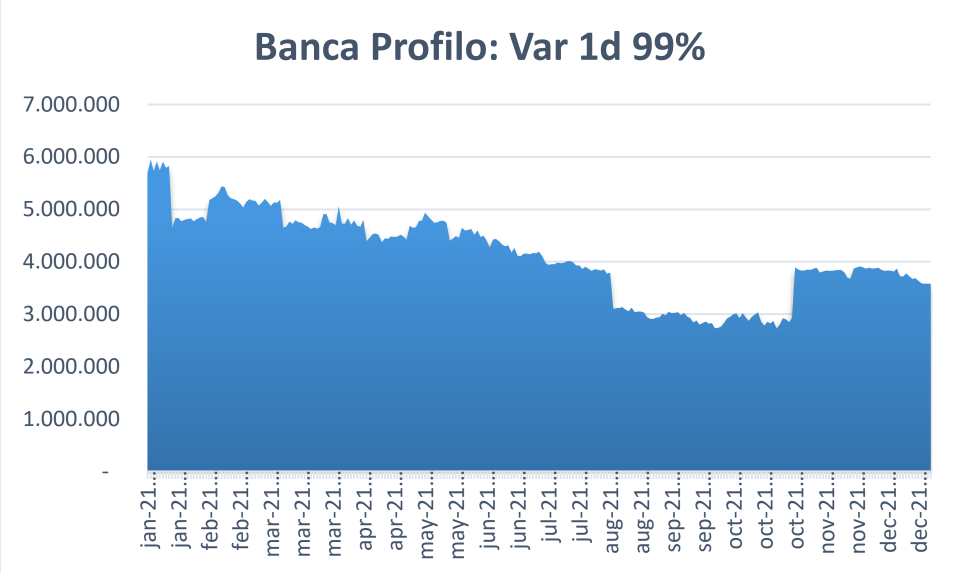
The following table shows, for each reference curve, the main exposures to interest rate risk outstanding as at 31 December 2021:

Proprietary portfolios: interest rate risk

IR Sensitivity (+1 bp) as at 31.12.2021 (figures in €) Currency	0-1 y	1-3 y	3-5 y	5-7 y	7-10+ y	Total
EUR	(12,182)	(53,033)	(28,571)	(19,176)	54,847	(58,115)
USD	(1,482)	(1,165)	3,927	2,987	4,116	8,383
Other	(172)	(553)	(2)	0	0	(727)
Total	**(13,836)**	**(54,751)**	**(24,646)**	**(16,189)**	**58,963**	**(50,459)**

The VaR of Banca Profilo's portfolio over the course of 2021 is also taken into account at this stage, although such indicator refers to all the market risks of the proprietary portfolios and not just interest rate risk: therefore, all other market risk factors (issuer, price and exchange rate) are also included in the VaR calculation.

The graph below shows the trend in the VaR (1 day, 99%) during 2021, relating to the total market risks managed by the Finance Area (HTC, HTC&S, HTS, and FVOCI portfolios): the average value for the year was € 4.1 million (compared to € 9.2 million in 2020), with a peak of € 6 million reached in early January and a year-end point figure of € 3.6 million (compared to € 5.6 million at the end of 2020).



The total daily VaR of the proprietary portfolios progressively decreased during the first 10 months of the year, due to the decay factor used to calculate the historical VaR which gradually made less significant the historical observations relating to the outbreak of the pandemic in the 2020. At the end of October, in correspondence with a new "daily tail observation" relating to the trend of the spread on Italian government bonds, the VaR partially recovered, and then remained almost constant until the end of the year.

The market VaR of Banca Profilo, as at 31 December 2021, is approximately 46% due to the HTC portfolio and 41% due to the HTC&S portfolio: the two portfolios, taken as a whole, are made up of 90% government bonds.

The VaR figure for the HTS portfolio alone averaged € 0.4 million in 2021 (against an average figure of € 0.7 million in 2020), with a year-end point figure of € 0.4 million.

2.1. bis Issuer Risk - Regulatory trading book

QUALITATIVE INFORMATION

A. General information

The Finance Area of Banca Profilo manages a portfolio of bonds and credit default swaps on national and international issuers, exposing to the risk of default of the same issuers and/or unfavourable changes in the credit spread associated with them.

At 31 December 2021, the Bank had outstanding credit default swaps for a nominal value of € 408 million (calculating the nominal value of options on index cds on the basis of the equivalent delta value), of which € 232 million in purchases and € 176 million in sales of protection, for a net purchase position of € 56 million. Credit default swaps are used to hedge the issuer risk of specific positions in securities of the proprietary portfolio or, in the case of index contracts (iTraxx), to generically hedge the portfolio. Protection sale contracts are mainly brokered with similar protection purchase contracts: in particular, there are several pure arbitrage transactions (for a total notional amount of € 288 million), in which the Bank purchased protection on an index and sold protection on the individual components of the same index.

B. Issuer risk management processes and measurement methods
Issuer risk management processes and measurement methods are the same as those used in relation to interest rate risk: please refer to the relevant section for a description of the bodies and offices involved and the system of operating limits.

With regard to specific indicators for issuer risk, monitoring takes place in terms of spread sensitivity, i.e. the sensitivity of the portfolio's P&L to movements of 1 basis point in the credit spread associated with the issuers in position.

In addition to the overall level, the Market Risk Regulations provide for value and spread sensitivity limits per rating class and concentration limits per individual issuer (depending on the rating).

The system of limits is structured in such a way as to favour exposure to issuers with investment grade ratings, which have a lower risk in terms of both the probability of default and the variability of the market spread.

QUANTITATIVE INFORMATION

In 2021, the average overall exposure of Banca Profilo's proprietary portfolios to issuer risk was approximately € 323 thousand in terms of spread sensitivity (compared to € 341 thousand in 2020), calculated for a movement of 1 basis point of the credit spread associated with the issuers in the portfolio (including government issuers).

At 31 December 2021, the total exposure was € 312 thousand (compared with € 300 thousand at 31 December 2020), broken down by issuer type and rating class as shown in the table below:

Proprietary portfolios: issuer risk (Securities and CDS)

Spread Sensitivity (+1 bp) as at 31.12.2021 (figures in €) Type of issuer	AAA/AA-	A+/A-	BBB +/BBB-	Spec. Grade	Total
Governments	19,385	0	(302,323)	0	(282,938)
Corporate	(860)	(7,843)	(6,820)	(13,225)	(28,748)
Total	**18,525**	**(7,843)**	**(309,143)**	**(13,225)**	**(311,686)**

Consistent with the structure of the operating limits, investments mainly concerned investment grade issuers: in terms of spread sensitivity, at 31 December 2021, 96% of total exposure related to issuers with a rating of BBB- or higher. In particular, 91% of the exposure involved government or supranational securities.

Other information on financial risks
Below is a table showing Banca Profilo's net exposure to sovereign credit risk, including the securities and credit default swap component.

Sovereign risk

Country (€/thousand)	HTC	HTC&S	HTS	Total
Italy	346,632	160,458	81,781	**588,871**
Germany			210	**210**
France			10,262	**10,262**
Spain		3,904		**3,904**
Portugal		1,102		**1,102**
Belgium			95	**95**
EU		371		**371**
USA			-3,499	**-3,499**
Total	**346,632**	**165,835**	**88,849**	**601,316**

2.1 ter Price risk – Regulatory trading book

QUALITATIVE INFORMATION

A. General information

In 2021, the equity segment's operations were characterised by trading operations with a short time period or relative value strategies: the latter, involving the assumption of opposite sign positions on shares and derivatives (index or option futures), involve limited directional risks. The most significant directional positions during the year were in the Small-Mid Cap and Spac segments.

The Bank also operates as a market maker of options on the Italian market with regard to approximately twenty underlyings: the strategy involves the use of equities for detailed delta hedging of options; the main risk factor is represented by the vega.

B. Price risk management processes and measurement methods

Price risk management processes and measurement methods are the same as those used in relation to interest rate risk: please refer to the relevant section for a description of the bodies and offices involved and the system of operating limits.

With regard to the specific indicators for equity risk, there are limits on the overall position and concentration limits on individual equity securities: the latter are diversified according to the securities' listing market and their free float.

QUANTITATIVE INFORMATION

In 2021, the "equivalent delta" value of the trading share portfolio (i.e. including the options delta) was equal to an average annual value of € 5.4 million (compared to an average figure of € 5.5 million for 2020), and a year-end point value of € 5.4 million (compared to € 7.5 million at 31 December 2020). The above values also include the UCITS units held in the trading portfolio.

At 31 December 2021, the exposure almost exclusively covered European markets:

Trading portfolios: price risk

Sensitivity to share prices (+1 bp) as at 31.12.2021 (figures in €)	Italy	France	Germany	The Netherlands	Eurostoxx	UCITS	Other	Total
Equity exposure	6,094	467	585	177	(5,541)	3,472	129	5,383

2.2. Interest rate and price risk - Banking book

QUALITATIVE INFORMATION

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

The interest rate risk of the HTC and HTC&S portfolios and the related hedging derivatives have been taken into account in the figures referred to in para. 2.1, together with trading positions, similarly to that carried out at management level.

If the above securities portfolios are excluded, the interest rate risk relating to the banking book is reduced: Banca Profilo's capital structure is characterised by assets and liabilities mainly on demand or variable rate.

On the lending side, loans to customers are mainly at variable rates, even if the fixed rate portion is growing by virtue of the COVID loans guaranteed by the Guarantee Fund.

On the funding side, those from customers are typically on demand. The only forms of fixed-rate funding are represented by repurchase agreements to finance Banca Profilo's securities portfolio, which together have an average residual maturity of one week. The loan with the ECB, which has an average residual maturity of 3 years, is instead indexed to the ECB reference rate.

By virtue of the peculiar composition of its assets and liabilities, Banca Profilo has no micro or macro hedge transactions in place on the interest rate risk of the banking book, with the exception of interest rate swaps entered into to hedge fixed-rate or inflation-linked securities included in the HTC and HTC&S portfolios.

Impacts resulting from the COVID-19 pandemic

As already highlighted in the section on the trading portfolio, the pandemic situation led to an immediate and unprecedented contraction of global GDP, with negative medium-term prospects, particularly impacting certain industrial sectors (transport, tourism, etc.). The economic recovery observed during 2021 remains highly dependent on the development of the infection situation. This situation of uncertainty could have a negative impact on all global stock markets, especially on the industrial sectors most impacted by the lockdown.

The intervention programmes that national governments have put in place to support the production system and families, in terms of size and duration, will determine an increase in public debts. Despite the massive intervention of the ECB, this situation of uncertainty could lead to an increase in the spread on Italian government securities, with consequent negative impacts on the income statement of the bank or on its equity ratios. This risk is significant for Banca Profilo, given the current composition of its banking book.

The structurally managerial HTC&S portfolio might instead be affected by the increase in spreads on government and non-government bonds, with an increase in the negative reserve of the portfolio and the consequent negative impact on the capital ratios of the parent company.

QUANTITATIVE INFORMATION

Applying the standard rate shock scenario (200 bp) provided for by the Bank of Italy's supervisory regulations for quantifying the interest rate risk of the banking book, applying the floors envisaged in GL/EBA/2018/02 in the rate reduction scenario, the impact on the economic value is summarised in the table below:

CURRENCY (€/thousand)	+ 200 bp	+ 200 bp
Euro	2,000	(1,602)
Other	992	(385)
Total	**2,992**	**(1,987)**

2.2 bis Price risk - Banking book

QUALITATIVE INFORMATION

The component of capital securities of the banking book is reduced: the securities listed in the banking book amounted to € 2.7 million at 31 December 2021. As a result of the small number of positions, no transactions have been carried out to hedge the price risk of this component.

2.3 Exchange rate risk

QUALITATIVE INFORMATION

A. Exchange rate risk: general information, management processes and measurement methods
Within the Bank, foreign exchange trading activity is marginal.

With the exception of trading activities, the management of the Bank's overall exchange rate risk is the responsibility of the Treasury Function, which operates within the Finance Area.

Organisational and IT flows ensure that information about foreign exchange trading on behalf of customers and other trading desks reaches the Treasury on a daily basis, which consolidates these flows into its daily foreign exchange position.

The Treasury operates in such a way as to always remain within the overall open position limit in exchange rates and the position limits on individual currencies set out in the Risk Regulations.

Like the other risk factors, exchange rate risk is included in the daily VaR calculation, according to the methodology illustrated with regard to interest rate risk.

B. Hedging of exchange rate risk
At the reference date of 31 December 2021, there were no exchange rate risk hedging transactions.

Impacts resulting from the COVID-19 pandemic

There are no significant impacts deriving from the COVID-19 pandemic on exchange rate risk.
QUANTITATIVE INFORMATION

In 2021, Banca Profilo's open position in exchange rates averaged approximately € 4.8 million (compared to an average of € 4.9 million in 2020).

At 31 December 2021, Banca Profilo had a long net foreign exchange position of € 2.5 million. The year-end exposure for the main currencies against an exchange rate movement of 1% is detailed in the table below:

Exchange rate risk

Foreign exchange rate sensitivity against the euro (+1%) as at 31.12.2021	USD	GBP	Other	Total
Exposure in exchange rates	1,685	479	358	2,522

Section 3 - Derivatives instruments and hedging policies

3.1. Derivative instruments held for trading

A. Financial derivatives

A.1 Financial derivatives held for trading: end of period notional amounts

Underlying assets/Types of derivatives	Total 31/12/2021				Total 31/12/2020			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central Counterparties	Without central counterparties			Central Counterparties	Without central counterparties		
		With clearing agreements	Without clearing agreements			With clearing agreements	Without clearing agreements	
1. Debt securities and interest rates	**74,500**	**474,271**	**7,348**	**293,662**	**-**	**583,500**	**-**	**319,049**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	74,500	474,271	7,348	-	-	583,500	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	293,662	-	-	-	319,049
e) Other	-	-	-	-	-	-	-	-
2. Equity securities and stock indices	**-**	**-**	**3,000**	**922,589**	**-**	**76,482**	**-**	**921,951**
a) Options	-	-	3,000	832,311	-	76,482	-	789,305
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	90,278	-	-	-	132,646
e) Other	-	-	-	-	-	-	-	-
3. Currencies and gold	**-**	**31,055**	**-**	**-**	**-**	**59,343**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	31,055	-	-	-	59,343	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**74,500**	**505,326**	**10,348**	**1,216,250**	**-**	**719,325**	**-**	**1,241,000**

A.2 Financial derivates held for trading: gross positive and negative fair values – by type of product

Types of derivatives	Total 31/12/2021				Total 31/12/2020			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central Counterparties	Without central counterparties			Central Counterparties	Without central counterparties		
		With clearing agreements	Without clearing agreements			With clearing agreements	Without clearing agreements	
1. Positive fair value								
a) Options	-	-	-	45,337	-	10,939	-	52,359
b) Interest rate swaps	100	26,555	8	-	-	25,716	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	59	-	-	-	493	-	-
f) Futures	-	-	-	2	-	-	-	2
g) Other	-	-	-	-	-	-	-	-
Total	**100**	**26,614**	**8**	**45,338**	**-**	**37,147**	**-**	**52,361**
2. Negative fair value								
a) Options	-	-	-	41,834	-	10,939	-	28,808
b) Interest rate swaps	88	28,069	-	-	-	25,712	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	98	-	-	-	275	-	-
f) Futures	-	-	-	8	-	-	-	11
g) Other	-	-	-	-	-	-	-	-
Total	**88**	**28,167**	**-**	**41,842**	**-**	**36,926**	**-**	**28,819**

A.3 OTC financial derivatives held for trading: notional amounts, gross positive and negative fair values by counterparty

Underlying assets	Central Counterparties	Banks	Other financial companies	Other entities
Contracts not subject to netting agreements				
1) Debt securities and interest rates				
- notional amount	X	-	-	7,348
- positive fair value	X	-	-	8
- negative fair value	X	-	-	-
2) Equity securities and stock indices				
- notional amount	X	-	-	3,000
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) Gold and currencies				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
4) Commodities				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Other				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts included in netting agreements				
1) Debt securities and interest rates				
- notional amount	74,500	276,348	197,922	-
- positive fair value	100	18,113	8,442	-
- negative fair value	88	19,154	8,915	-
2) Equity securities and stock indices	-			
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Gold and currencies	-			
- notional amount	-	26,395	4,660	-
- positive fair value	-	59	1	-
- negative fair value	-	39	59	-
4) Commodities	-			
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other	-	-	-	-
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual maturity of OTC financial derivatives held for trading: notional amounts

Underlying/Residual life		Up to 1 year	Over 1 year up to 5 years	Over 5 years	Total
A.1 Financial derivatives on debt securities and interest rates		105,500	384,500	66,119	556,119
A.2 Financial derivatives on equity securities and stock indices		3,000	-	-	3,000
A.3 Financial derivatives on currencies and gold		31,055	-	-	31,055
A.4 Financial derivatives on commodities		-	-	-	-
A.5 Other financial derivatives		-	-	-	-
Total	**31/12/2021**	**139,555**	**384,500**	**66,119**	**590,174**
Total	**31/12/2020**	**289,825**	**365,500**	**64,000**	**719,325**

B. CREDIT DERIVATIVES

B1. Credit derivatives held for trading: end of period notional amounts

Categories of transactions	Trading derivatives	
	on an individual party	on multiple parties (basket)
1. Purchases of protection		
a) Credit default products	76,434	298,814
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
Total 31/12/21	**76,434**	**298,814**
Total 31/12/20	**125,049**	**363,225**
2. Sales of protection		
a) Credit default products	159,478	250,000
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
Total 31/12/21	**159,478**	**250,000**
Total 31/12/20	**398,837**	**105,000**

B.2 Credit derivatives held for trading: gross positive and negative fair values – by type of product

Types of derivatives	Total 31/12/21	Total 31/12/20
1. Positive fair value		
a) Credit default products	8,134	33,069
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
Total	**8,134**	**33,069**
2. Negative fair value		
a) Credit default products	9,310	36,603
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
Total	**9,310**	**36,603**

B.3 OTC credit derivatives held for trading: notional amounts, gross positive and negative fair values by counterparty

	Central Counterparties	Banks	Other financial companies	Other entities
Contracts not subject to netting agreements				
1) Purchase of protection				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
2) Sale of protection				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts included in netting agreements				
1) Purchase of protection				
- notional amount	-	92,682	282,566	-
- gross positive fair value	-	307	373	-
- gross negative fair value	-	3,091	4,979	-
2) Sale of protection				
- notional amount	-	67,000	342,478	-
- gross positive fair value	-	2,789	4,664	-
- gross negative fair value	-	98	1,142	-

B.4 Residual maturity of OTC credit derivatives held for trading: notional amounts

Underlying/Residual life	Up to 1 year	Over 1 year up to 5 years	Over 5 years	Total
1. Sale of protection	317,000	92,478	-	409,478
2. Purchase of protection	227,000	148,248	-	375,248
Total 31/12/21	**544,000**	**240,725**	**-**	**784,725**
Total 31/12/20	**198,000**	**794,112**	**-**	**992,112**

3.2 Hedge accounting

QUALITATIVE INFORMATION

A. Fair value hedging

The risk management strategy provides for the possibility of fair value hedging of the HTC and HTC&S portfolios from movements in interest rates and inflation rate, leaving them exposed only to movements in the credit spreads of the issuers of the securities purchased. To this end, in the event of the purchase of fixed-rate securities or securities linked to medium/long-term inflation, special hedging derivatives are normally entered into to transform the overall pay-off of the investment (security plus derivative) into that of a variable-rate security.

D. Hedging instruments

The hedging instruments used are interest rate swaps and inflation swaps.

E. Hedged items

The hedged items are fixed-rate securities or securities linked to medium/long-term inflation held in Banca Profilo's HTC and HTC&S portfolios. As already mentioned in Part A – Accounting policies, the bank continues to use the hedging accounting rules of IAS 39.

QUANTITATIVE INFORMATION

A. Financial hedging derivatives

A.1 Financial derivatives held for hedging: end-of-period notional amounts

Underlying assets/Types of derivatives	Total 31/12/2021				Total 31/12/2020			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central Counterparties	Without central counterparties			Central Counterparties	Without central counterparties		
		With clearing agreements	Without clearing agreements			With clearing agreements	Without clearing agreements	
1. Debt securities and interest rates	**-**	**277,463**	**-**	**-**	**-**	**264,922**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	272,452	-	-	-	264,922	-	-
c) Forwards	-	5,011	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity securities and stock indices	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Currencies and gold	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**277,463**	**-**	**-**	**-**	**264,922**	**-**	**-**

A.2 Financial derivatives held for hedging: gross positive and negative fair values – by type of product

Types of derivatives	Positive and negative fair value								Change in the value used to detect the inefficiency of the hedge	
	Total 31/12/2021				Total 31/12/2020				Total	Total
	Over the counter			Organised markets	Over the counter			Organised markets		
	Central Counterparties	Without central counterparties: With clearing agreements	Without central counterparties: Without clearing agreements		Central Counterparties	Without central counterparties: With clearing agreements	Without central counterparties: Without clearing agreements		31/12/2021	31/12/2020
Positive fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	1,172	-	-	-	405	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	272	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**1,444**	**-**	**-**	**-**	**405**	**-**	**-**	**-**	**-**
Negative fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	52,399	-	-	-	32,693	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**52,399**	**-**	**-**	**-**	**32,693**	**-**	**-**	**-**	**-**

A.3 OTC financial derivatives held for hedging: notional amounts, gross positive and negative fair value by counterparty

Underlying assets	Central Counterparties	Banks	Other financial companies	Other entities
Contracts not subject to netting agreements				
1) Debt securities and interest rates				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
2) Equity securities and stock indices				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) Gold and currencies				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
4) Commodities				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Other				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts included in netting agreements				
1) Debt securities and interest rates				
- notional amount	-	151,763	125,700	-
- positive fair value	-	1,072	372	-
- negative fair value	-	25,765	26,634	-
2) Equity securities and stock indices				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Gold and currencies				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Commodities				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual maturity of OTC financial derivatives held for hedging: notional amounts

Underlying/Residual life		Up to 1 year	Over 1 year up to 5 years	Over 5 years	Total
A.1 Financial derivatives on debt securities and interest rates		18,443	119,228	139,792	277,463
A.2 Financial derivatives on equity securities and stock indices		-	-	-	-
A.3 Financial derivatives on currencies and gold		-	-	-	-
A.4 Financial derivatives on commodities		-	-	-	-
A.5 Other financial derivatives		-	-	-	-
Total	**31/12/2021**	**18,443**	**119,228**	**139,792**	**277,463**
Total	**31/12/2020**	**4,122**	**128,087**	**132,713**	**264,922**

3.3 Other information on derivative instruments for trading and hedging

A. Financial and credit derivatives

A.1 OTC financial and credit derivatives: net fair values by counterparty

There are no figures to report.

Section 4 – Liquidity risk

QUALITATIVE INFORMATION

Liquidity risk: general aspects, processes for the management and methods for measurement of liquidity risk

Liquidity risk is represented by the possibility that a bank may not be able to meet its payment obligations when required, due to the inability to find new sources of funding or to sell assets on the market.

In particular, at Banca Profilo, the value of the securities in its portfolio exceeds the available capital and net direct funding from private and institutional customers: as a result, the Bank's securities portfolio must be largely financed on the market through repurchase agreements or interbank deposits. The liquidity risk, therefore, is provided by the possibility that, at their maturity, financing transactions cannot be renewed and that, alternatively, securities cannot be sold on the market (except at particularly penalising prices).

To monitor liquidity risk, the Board of Directors approved the Liquidity Policy and the Contingency Liquidity Plan. The first document, in accordance with the Group's RAF, sets out the principles that must guide liquidity management and establishes a series of limits to mitigate liquidity risk. In particular, the following have been established:

- limits to the net accumulated liquidity balance on different maturities, also commensurate with the results of the stress tests carried out periodically;
- limits for the LCR and NSFR indicator, higher than the minimum limits provided for in the supervisory regulations;
- leverage limits;
- concentration limits of funding from the top 5 counterparties, in order to improve the diversification of funding sources;
- overall value limits for non-eligible securities.

The second document (Contingency) provides a series of warning indicators for the prompt identification of a specific and/or systemic liquidity crisis, listing the actions to be taken and the bodies authorised to operate in a crisis situation.

Impacts resulting from the COVID-19 pandemic

With reference to liquidity risk, banks are required to cope with a huge demand for loans from businesses. The coordinated interventions of the central banks implemented up to now and the extraordinary programmes already announced have helped to mitigate this risk, preventing the emergence of tensions on the liquidity market. However, the negative trend of the financial markets and in particular of the spread on Italian government securities could erode the Bank's counterbalancing capacity and therefore its ability to access collateralised loans. To mitigate this risk, the Bank is holding much higher liquidity reserves than the target levels envisaged by the internal policy. It should also be noted that in December, Banca Profilo renewed the TLTRO-III transaction from which it collected € 89.5 million.

QUANTITATIVE INFORMATION

At 31 December 2021, the Bank had a net positive liquidity balance on all short-term maturities (up to 3 months), for amounts in excess of € 250 million: the value of eligible securities owned and not engaged in financing operations (and therefore available as a liquidity reserve), net of the haircut applied by the ECB, exceeded the amount of total funding on the wholesale market maturing over all the time periods considered.

At the same date, approximately 89% of the Bank's proprietary bond portfolio was represented by eligible securities that could be used to access ECB financing.

At the end of the year, Banca Profilo had an individual Liquidity Coverage Ratio (LCR) of 167%.

1. Time breakdown by contractual residual maturity of financial assets and liabilities (EURO)

Items/Time brackets	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Unspecified maturity
A. On-Balance sheet assets	**402,534**	**31,676**	**41,820**	**9,024**	**28,691**	**6,980**	**13,701**	**323,650**	**266,421**	**-**
A.1 Government securities	-	-	71	66	2,258	915	3,317	232,142	181,325	-
A.2 Other debt securities	12,762	140	56	3,780	11,954	4,483	4,547	72,034	63,275	-
A.3 Units of UCITS	2,098	-	-	-	-	-	-	-	-	-
A.4 Loans	387,674	31,537	41,693	5,177	14,479	1,582	5,837	19,474	21,820	-
- Banks	86,650	6,971	31,874	-	4,653	-	-	-	-	-
- Customers	301,024	24,566	9,819	5,177	9,827	1,582	5,837	19,474	21,820	-
B. On- Balance sheet liabilities	**708,914**	**272,686**	**3,786**	**-**	**51,517**	**-**	**79,689**	**91,445**	**8,887**	**-**
B.1 Deposits and current accounts	681,081	-	-	-	-	-	-	-	-	-
- Banks	12,560	-	-	-	-	-	-	-	-	-
- Customers	668,521	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	27,833	272,686	3,786	-	51,517	-	79,689	91,445	8,887	-
C. Off-balance sheet transactions										
C.1 Physically settled financial derivatives										
- Long positions	-	19,019	26,213	24,667	189,435	25,320	76,665	126,441	-	-
- Short positions	-	18,934	72,124	43	84,840	22,554	25,526	78,315	46,696	-
C.2 Cash settled financial derivatives										
- Long positions	26,875	-	-	-	-	-	-	-	-	-
- Short positions	26,686	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be settled										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to disburse funds										
- Long positions	-	12,578	15,416	-	-	-	-	-	-	-
- Short positions	27,994	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Physically settled credit derivatives										
- Long positions	2,000	-	-	-	-	46,000	40,000	136,400	-	-
- Short positions	2,000	-	-	-	-	46,000	40,000	136,400	-	-
C.8 Cash settled credit derivatives										
- Long positions	24	-	-	-	-	-	-	-	-	-
- Short positions	4,957	-	-	-	-	-	-	-	-	-

1. Time breakdown by contractual residual maturity of financial assets and liabilities (OTHER CURRENCIES)

Items/Time brackets	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Unspecified maturity
A. On-Balance sheet assets	**5,840**	**-**	**5,255**	**20**	**6,546**	**3,839**	**5,385**	**39,913**	**12,693**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	139	-	168	20	6,546	3,839	5,385	39,913	12,693	-
A.3 Units of UCITS	400	-	-	-	-	-	-	-	-	-
A.4 Loans	5,301	-	5,087	-	-	-	-	-	-	-
- Banks	5,297	-	-	-	-	-	-	-	-	-
- Customers	4	-	5,087	-	-	-	-	-	-	-
B. On- Balance sheet liabilities	**15,318**	**-**	**-**	**-**	**-**	**4,234**	**-**	**-**	**-**	**-**
B.1 Deposits and current accounts	15,310	-	-	-	-	-	-	-	-	-
- Banks	14	-	-	-	-	-	-	-	-	-
- Customers	15,296	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	8	-	-	-	-	4,234	-	-	-	-
C. Off-balance sheet transactions										
C.1 Physically settled financial derivatives										
- Long positions	-	18,934	26,272	43	6,496	-	-	17,928	-	-
- Short positions	-	19,019	45,989	24,667	27,306	-	-	1,304	4,890	-
C.2 Cash settled financial derivatives										
- Long positions	1,686	-	-	-	-	-	-	-	-	-
- Short positions	119	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be settled										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to disburse funds										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Physically settled credit derivatives										
- Long positions	-	-	-	-	-	-	-	299,487	-	-
- Short positions	-	-	-	-	-	-	-	299,487	-	-
C.8 Cash settled credit derivatives										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	23,636	-	-	-	-	-	-	-	-	-

Section 5 - Operational risk

QUALITATIVE INFORMATION

General information, operational risk management processes and measurement methods

Operational risk is defined as the risk of financial loss due to inadequate internal processes or their failures, human error, deficiencies in technological systems or caused by external events.

With reference to operational risk, within Banca Profilo:

- risk factors and loss events were mapped for all the most relevant commercial, production and administrative processes, with documentation of company activities, risk assessment and related mitigation controls;
- periodic tests of the effectiveness of the controls carried out are conducted;
- based on a self-assessment of risk exposure by the organisational units, the most significant risks were identified in terms of potential impact and frequency;
- operating losses are recorded in a special database, in order to substantiate the self-assessments over time with an objective accounting feedback.

Impacts resulting from the COVID-19 pandemic

To safeguard **health**, particularly for colleagues, and in order to contain **operational risk**, the Bank implemented the following measures:

- set up the **Crisis Committee** to ensure timely and maximum protection for colleagues and customers;
- put smart working in place **for all colleagues, a system that has continued to be used throughout the crisis**;
- made investments in **technological infrastructure and** cybersecurity in order to manage remote activities;
- approved and updated the **Health Protocol for the return** to the Bank which provided for, among other initiatives, (i) amendments to the layout of the workstations in the various offices with a view to social distancing, (ii) colleague rotation and increased flexibility of office hours, (iii) the implementation of personal protection safeguards and the supply of PPE for colleagues, and (iv) training, information, cleaning and sanitisation as per regulations;
- initiated the use of **videoconferencing and** chat tools to optimise remote efficiency and to be able to maintain a high rate of smart working;
- prepared, in accordance with the provisions of the 2020-2023 Business Plan, the Regulations for the use of smart working even beyond the emergency and the related operational contractual agreement.

To support the **operations of its customers**, the Bank has:

- ensured **full operational continuity** for all customers for all services during the period;
- kept the Bank **open and always operational** in all its branches;
- encouraged the use of web services and released the customer App to allow greater usability of the information remotely, launching a section for bank transfers at the same time;
- activated simplified forms of interaction with customers through paperless procedures and the **automation** of manual processes using robotics tools.

Finally, in support of **the economic community,** the Bank has:

- participated in support initiatives in the areas of health and education most affected by the emergency;
- adhered to **government initiatives**, such as moratoria and customer information;
- implemented a **€ 100 million *ceiling*** for the credit guaranteed by MCC/SACE to support companies in difficulty as a result of COVID-19, already used in large part.

In consideration of the above, the controls on the operating processes have been strengthened, additional controls by the heads of the operating areas have also been envisaged, as well as a strengthening of controls on IT and its connections.

QUANTITATIVE INFORMATION

To quantify operational risks for capital requirements purposes, Banca Profilo uses the basic approach.

The operational risk events that occurred in 2021 are insignificant overall.

The type of proceedings and disputes in which the Bank is a defendant can be summarised as follows:

Type of proceeding	Presumed disbursement
Legal disputes	-
Complaints and grievances	266
Total	**266**

PART F - Information on Shareholders' Equity

Section 1 - Shareholders' equity

A. QUALITATIVE INFORMATION

The mandatory capital requirements to which the Bank adheres are those provided for by the regulations on Own Funds and the prudential ratios issued by the Supervisory Body. This requirement is guaranteed by a control and monitoring process continuously carried out by the responsible offices. In particular, with reference to the granting of credit to parties other than banks, insurance companies and financial intermediaries, it should be noted that, precisely in order to guarantee and monitor the capital requirements required by the Supervisory Body, this activity mainly concerns Private Banking customers and is generally subject to the provision of suitable guarantees; this activity is in any case instrumental to managing relations with medium-high end customers.

B. Quantitative information

B.1 Shareholders' equity: breakdown

Items/Amounts	Amount 31/12/2021	Amount 31/12/2020
1. Share capital	136,994	136,994
2. Share premium	82	82
3. Reserves	23,010	21,255
- profit	23,010	21,255
a) legal	5,165	3,182
b) statutory	-	-
c) treasury shares	5,634	5,787
d) other	12,211	12,286
- other	-	-
3.5 Interim dividends	(10,472)	-
4. Equity instruments	-	-
5. (Treasury shares)	(5,634)	(5,787)
6. Valuation reserves:	1,799	3,519
- Equity securities designated at fair value through other comprehensive income	1,773	2,987
- Hedges on equity securities designated at fair value through other comprehensive income	-	-
- Financial assets (other than equity securities) measured at fair value through other comprehensive income	605	1,117
- Property, plant and equipment	-	-
- Intangible assets	-	-
- Hedge of foreign investments	-	-
- Cash flow hedges	-	-
- Hedging instruments [elements not designated]	-	-
- Exchange differences	-	-
- Non-current assets held for sale and discontinued operations	-	-
- Financial liabilities designated at fair value through profit and loss (changes in its creditworthiness)	-	-
- Actuarial gains (losses) on defined benefit pension plan	(579)	(585)
- Share of valuation reserves of equity investments valued at equity	-	-
- Special revaluation laws	-	-
7. Profit (loss) for the year	16,460	13,112
Total	**162,239**	**169,175**

B.2 Revaluation reserves of financial assets measured at fair value through other comprehensive income: breakdown

Assets/Amounts	Total 31/12/2021		Total 31/12/2020	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	2,073	1,468	2,010	893
2. Equity securities	1,817	44	2,987	-
3. Loans	-	-	-	-
Total	**3,890**	**1,512**	**4,997**	**893**

B.3 Revaluation reserves of financial assets measured at fair value through other comprehensive income: changes in the year

	Debt securities	Equity securities	Loans
1. Opening balances	**1,117**	**2,987**	**-**
2. Positive changes	**3,321**	**298**	**-**
2.1 Fair value increases	2,938	295	-
2.2 Value adjustments for credit risk	63	X	-
2.3 Reversal to income statement of negative reserves from disposals	321	X	-
2.4 Transfers to other components of shareholders' equity (equity securities)	-	4	-
2.5 Other changes	-	-	-
3. Negative changes	**(3,833)**	**(1,512)**	**-**
3.1 Fair value decreases	(2,541)	(1,171)	-
3.2 Reversals for credit risk	(9)	-	-
3.3 Reversal to income statement of positive reserves from disposals	(1,284)	-	-
3.4 Transfers to other components of shareholders' equity (equity securities)	-	(342)	-
3.5 Other changes	-	-	-
4. Closing balances	**605**	**1,773**	**-**

B.4 Valuation reserves for defined benefit plans: annual changes

The valuation reserve relating to defined benefit plans increased from a negative balance of € 585 thousand to a negative balance of € 579 thousand.

Section 2 - Own funds and regulatory ratios

The Parent Company of the Banca Profilo Banking Group is Arepo BP S.p.A. and is required to report to the Supervisory Body on a consolidated basis on regulatory capital and prudential ratios in accordance with current regulations. For the purposes of full disclosure on the Own Funds and capital adequacy, reference should therefore be made, as required by the Bank of Italy Circular 262/2005, to the Pillar III report prepared by the Parent Company Arepo BP, which is made public, according to the terms of the law, on Banca Profilo's website at the following address:
https://www.bancaprofilo.it/interna.php?numpag=19.

It should also be noted that in the Report on Operations of this document, in the section "Reclassified Balance Sheet Figures", information on Banca Profilo S.p.A.'s Own Funds and capital adequacy is available.

PART G – Business Combinations transactions concerning companies or lines of business

Section 1 – Transactions carried out during the year

Banca Profilo did not carry out any business combinations during the year.

PART H – Transactions with related parties

1) Information on the remuneration of key management personnel

This information refers to those who have the power and responsibility, directly or indirectly, for the planning, management and control of the activities of Group companies.
The table below shows the remuneration of directors, statutory auditors and key management personnel.

The table below shows the remuneration of directors, statutory auditors and key management personnel.

Role (amounts in €/thousand)	Fixed remuneration (d)	Remuneration for participation in committees (a)	Non-equity variable compensation		Non-monetary benefits	Other remuneration	Total	*Fair value of equity compensation (c)*	End of term of office or termination of employment indemnity
			Bonuses and other incentives (b)	Profit participation					
Board of Directors	935	74	355		12		1,376	70	
Board of Statutory Auditors and Supervisory Board	170		0				170		
Key management personnel	2,909		1406		135		4,450	259	
Total	**4,014**	**74**	**1,761**		**147**		**5,996**	**329**	

Notes:
(a) Remuneration as a member of the Remuneration Committee, Appointments Committee and Risk Control Committee
(b) In the case of deferred bonuses, both the upfront portion of the year to which they relate and the relevant portions of deferred components relating to previous years are provided
(c) The fair value of the shares (Stock Grant Plan) granted in 2021 is provided
(d) The amount also includes remuneration from employment

2) Information on related-party transactions

The following is a summary of the transactions carried out with related parties during the year and those in place as at 31 December 2021.

As regards the transactions of greater significance, it should be noted that on 17 December 2020, Banca Profilo approved the framework resolutions adopted until 31 December 2021 relating to the following transactions:

- i) repurchase and reverse repurchase agreements, ii) spot purchase and sale transactions, iii) forward purchase and sale transactions with Extrabanca S.p.A. (a company in which AREPO BP holds a significant controlling interest) where for point i) the individual transactions cannot have a duration of more than 3 months and the total value of outstanding transactions cannot exceed € 80 million and will be governed by a GMRA (Global Master Repurchase Agreement) framework agreement signed at normal market conditions, for point ii) spot purchase and sale of securities (mainly government bonds) and the cumulative counter value of the transactions cannot exceed € 300 million in 2021, while for point iii) forward purchase and sale transactions may not have a maturity exceeding 6 months and the total value of the outstanding transactions may not exceed € 80 million and being OTC transactions will be supported by Credit Support Annex.
  There are no repurchase agreements in place at 31 December 2021. During 2021, however, repurchase agreement transactions were carried out for a total nominal value of approximately € 294 million.
- Transactions for the transmission of orders to BPdG for the purchase of new bond issues by institutional customers through the Intermediation desk of Banca Profilo, transactions carried out under normal market conditions. As already described in the Significant Events section of the Report on Operations, on 1 June 2021, following the obtainment of the authorisation by FINMA, the closing of the transaction announced on 10 February 2021 was finalised, which on the one hand envisages the purchase by Banque Profil de Gestion SA (BPDG) of 100% of the capital of One Swiss Bank (OSB) and at the same time, the disposal by Banca Profilo of all the shares held in BPDG to the current shareholders of OSB. Therefore, starting from 1 June 2021 BPDG, merged into OSB, is no longer considered a related party. For the sake of full disclosure, it should be noted that for the 2021 financial year, volumes of approximately € 490 million were traded.
- Conferment of the recurring assignment for the corporate activity carried out in favour of the Bank by the Mariconda-Chiantini notary office on which the Director, Dr Ezilda Mariconda, and in particular, the following (i) conferment and revocation of special powers of attorney; (ii) corporate obligations that require filing with the company register; (iii) endorsement of company books; (iv) support in corporate activities connected with the shareholders' meetings, including the preparation of the minutes, if any; (v) authentications and issue of certified copies; (vi) creation/cancellation of pledges/guarantees/mortgages; (vii) activities related to the disbursement of credit. All within a gross annual amount of a maximum of € 30,000.00. It should be noted that the meeting of 22 April 2021 appointed the new members of the Board of Directors and that as of that date, Ms Ezilda Mariconda is no longer a Director and therefore is no longer considered a related party. For the sake of full disclosure, it should be noted that for the 2021 financial year, invoices for approximately € 24 million were received.

Definition (amounts in €/thousand)	Assets*				Liabilities*		Guarantees and commitments
	Item 30 - Financial assets measured at fair value through other comprehensive income	Item 40 - Financial assets measured at amortised cost	Item 80 - Property, plant and equipment	Item 130 - Other assets	Item 10 - Financial liabilities measured at amortised cost	Item 80 - Other liabilities	
a.(i) 1) Entities which, directly or indirectly, through one or more intermediaries, control Banca Profilo							
Arepo Bp S.p.A.				76	9,032	3,353	
Sator Investments S.a.r.l.					347		
Total group a.(i) 1)		**0**		**76**	**9,379**	**3,353**	
a. (i) 2) Entities which, directly or indirectly, through one or more intermediaries, are controlled by Banca Profilo							
- Banque Profil de Gestion SA							
- Profilo Real Estate S.r.l.		21,432	6,658	3	6,766		
- Arepo Fiduciaria S.r.l.		791		4		390	
Total group a. (i) 2)		**22,223**	**6,658**	**8**	**6,766**	**390**	
b) Key management personnel		**7,729**			**1,312**	**2,840**	**7**
c) Close family members of the personnel referred to in point b		**485**			**1,626**		
d) Entity controlled, jointly controlled or subject to significant influence or in which a significant share, in any case not less than 20% of the voting rights by a party referred to in letter b above, is held directly or indirectly		**169**			**241**		
e) Related parties of Banca Profilo's related parties	**6,631**	**4,804**		**82**	**2,630**	**251**	
f) Other related parties							
ON BANCA PROFILO BALANCE SHEET ITEM TOTAL	**221,623**	**970,236**	**11,978**	**27,394**	**1,324,588**	**29,316**	**295,333**
TOTAL Transactions with related parties	**6,631**	**35,411**	**6,658**	**166**	**21,954**	**6,835**	**7**
INCIDENCE %	**3.00%**	**3.60%**	**55.60%**	**0.60%**	**1.70%**	**23.30%**	**0.00%**

* = as per items in the mandatory annual financial statements Bank of Italy Circular no. 262 of 22.12.2005 and subsequent updates.

Definition (amounts in €/thousand)	Revenues *				Costs *				
	Item 10 - Interest income and similar revenues	Item 40 - Fee and commission income	Item 70 - Dividends and similar income	Item 230 - Other operating income/expense	Item 20 - Interest expenses and similar charges	Item 50 - Fee and commission expenses	Item 180 - Net value adjustments/reversals on property, plant and equipment	Item 190 - Administrative expenses - Other	Item 190 - Administrative expenses - Personnel expenses
a.(i) 1) Entities which, directly or indirectly, through one or more intermediaries, control Banca Profilo									
Arepo Bp S.p.A.	43			152	-4				239
Sator Investments S.a.r.l.									
Total group a.(i) 1)	**43**			**152**	**-4**				**239**
a. (i) 2) Entities which, directly or indirectly, through one or more intermediaries, are controlled by Banca Profilo									
- Banque Profil de Gestion SA		5							
- Profilo Real Estate S.r.l.	311		715	5	-75		-1,899	-10	11
- Arepo Fiduciaria S.r.l.		2233	4,367	9					4
Total group a. (i) 2)	**311**	**2238**	**5,082**	**14**	**-75**		**-1,899**	**-10**	**15**
d) Key management personnel	**42**	**32**							**-7,941**
e) Close family members of the personnel referred to in point d	**2**	**64**							
f1) Entity controlled, jointly controlled or subject to significant influence or in which a significant share, in any case not less than 20% of the voting rights by a party referred to in letter d above, is held directly or indirectly	**2**	**37**							
f) Related parties of Banca Profilo's related parties	**216**	**1**		**-366**	**-2**	**-52**		**-793**	**26**
g) Other related parties	**2**				**-150**				**-31**
ON BANCA PROFILO BALANCE SHEET ITEM TOTAL	**19,844**	**30,201**	**22,120**	**4,275**	**-2,227**	**-3,541**	**-2,970**	**-22.645**	**-28,189**
TOTAL Transactions with related parties	**617**	**2,373**	**5,082**	**-201**	**-231**	**-52**	**-1,899**	**-803**	**-7,690**
INCIDENCE %	**3.10%**	**7.90%**	**23.00%**	**-4.70%**	**10.40%**	**1.50%**	**63.90%**	**3.50%**	**27.30%**

* = as per items in the mandatory annual financial statements Bank of Italy Circular no. 262 of 22.12.2005 and subsequent updates.

PART I - Share-Based Payment Agreements

This section provides information on share-based payment agreements that are recognised in the balance sheet under "reserves" (liability item 150) as equity settled plans. The related cost is recognised under Personnel Expenses. Further information can be found in the Report on Operations.

A. QUALITATIVE INFORMATION

1. Description of share-based payment agreements

The April 2015 Shareholders' Meeting of Banca Profilo approved a Stock Grant Plan in favour of its employees both to comply with the requirements of the regulatory bodies for the payment of the variable component of the remuneration for "key employees", under the definition provided by the Bank of Italy on the subject of remuneration (see Circular 285/2013) and to provide for motivational and retention mechanisms for the remaining personnel, if certain conditions are met. The Plan was subsequently extended by the 2017 Shareholders' Meeting and, most recently, by the 2020 Shareholders' Meeting, which extended it for a further three years (2020-2022).

The Plan provides for: (i) the assignment of shares, both for the upfront and deferred components, once the malus conditions for each individual deferral period have been exceeded (detailed in the Bank's Remuneration Policy in force at the time - see Remuneration Report available at the following web address: www.bancaprofilo.it/CorporateGovernace/Documenti Societari/Remunerazioni) and in the absence of individual malus situations and (ii) the attribution of the same, after the retention periods, as a result of the relationship and absence of individual malus situations.

The Beneficiaries of the Plan are the Chief Executive Officer and General Manager and the other employees of the Bank and its subsidiaries who have joined the Plan, or the executive directors of the latter; the operating procedures of the Plan are differentiated according to whether or not the staff fall under the category of "key employees".

In particular, for "key employees" the retention and deferral periods provided for by the Remuneration Policy in force at the time apply.

Under the existing stock grant plan, 2,428,472 Banca Profilo shares were allocated in April 2021 and 515,208 in November 2021; in both cases, the treasury shares held in the portfolio by Banca Profilo were used as planned.

B. QUANTITATIVE INFORMATION

1 Annual changes

The stock option plan expired in 2017.

PART L – Segment Reporting

Representation by business segment was chosen as the primary reporting method, based on the requirements of IFRS 8, as it reflects the responsibilities for making operational decisions, based on the Group's organisational structure.

The defined sectors of activity are:

- **Private Banking & Investment banking** relating to the activities of the Private Banking Area with administered and managed Italian private and institutional customers, as well as the Investment Banking activities;
- **Finance**, relating to the management and development of trading activities on own account and on behalf of third parties in financial instruments and services related to their issue and placement;
- **Digital channels**, relating to the activities carried out in partnership with Tinaba on a digital platform;
- ***Corporate Centre***, relating to oversight of the Bank's policy, coordination and control functions (overhead costs).

Year 2021

Breakdown by operating segment: income statement figures

(€/thousand)	*Private & Inv.*	Finance	Digital Channels	*Corporate Centre*	Total 2021
Net interest income	3,415	14,396	(10)	(184)	17,617
Other net revenues	26,475	21,854	(734)	4,668	52,263
Net fee and commission income	26,253	1,907	(647)	(427)	27,086
Profit (loss) from trading	29	20,060	0	4,549	24,638
Other income and charges	193	(112)	(87)	545	539
Total net revenues	**29,888**	**36,250**	**(744)**	**4,486**	**69,880**
Total operating expenses	(20,419)	(11,659)	(3,849)	(13,494)	(49,421)
Operating income	**9,470**	**24,591**	**(4,593)**	**(9,009)**	**20,459**

Year 2020

Breakdown by operating segment: income statement figures

(€/thousand)	*Private & Inv.*	Finance	Digital Channels	*Corporate Centre*	Total 2020
Net interest income	3,506	10,807	(9)	39	14,343
Other net revenues	19,234	23,613	(202)	4,646	47,290
Net fee and commission income	19,091	1,457	(203)	(286)	20,059
Profit (loss) from trading	0	22,223	0	4,350	26,572
Other income and charges	143	(67)	0	582	659
Total net revenues	**22,740**	**34,420**	**(212)**	**4,684**	**61,633**
Total operating expenses	(16,843)	(10,907)	(2,819)	(12,618)	(43,186)
Operating income	**5,898**	**23,513**	**(3,030)**	**(7,934)**	**18,446**

Net fee and commission income relating to Private & Investment banking mainly refers to portfolio management, securities placement and advisory fees. Net fee and commission income relating to Finance relates exclusively to commissions on trading in financial instruments.

Year 2021

Breakdown by operating segment: balance sheet figures

(€/thousand)	*Private & Inv.*	Finance	Digital Channels	*Corporate Centre*	Total 31/12/2021
Loans	347,675	554,664	0	0	902,339
Direct funding	630,850	323,266	37,748	0	991,864
Indirect funding	4,078,412	30,865	21,333	0	4,130,610

Year 2020

Breakdown by operating segment: balance sheet figures

(€/thousand)	*Private & Inv.*	Finance	Digital Channels	*Corporate Centre*	Total 31/12/2020
Loans	290,238	407,291	0	0	697,529
Direct funding	664,298	281,694	14,964	0	960,956
Indirect funding	3,578,735	51,920	5,859	0	3,636,515

Part M – Information on leases

Section 1 - Lessee

QUALITATIVE INFORMATION

The Bank has entered into lease agreements within the scope of IFRS 16 for the purpose of carrying out its business activities. In respect of these contracts, the right to use the leased assets and the related liability arising from each contract are recorded in the financial statements.
These contracts are accounted for in accordance with the provisions of IFRS 16 as detailed in section A.2 of Part A - Accounting Policies, to which reference should be made.
The main types of property, plant and equipment that the Bank recognises relate to buildings and others (cars and photocopiers).
The rights of use recorded in relation to these lease contracts are mainly used for the provision of services to customers, or for administrative purposes, and accounted for using the cost method. In the case of sub-leases, the relevant lease contract (financial or operating, depending on the contractual characteristics) is recognised in accordance with accounting standards. The Bank has only one sublease agreement with the Parent Company Arepo BP for premises located in Rome.
As already mentioned in Part A, rights of use and the corresponding payables for short term lease contracts (12 months) or for assets with a limited unit value (equal to or less than € 5 thousand) are not recorded in the accounts. The related lease payments arising from these types of assets are recorded under item “160. Administrative expenses” on an accrual basis.
Please note that the Bank has not carried out any sale and leaseback transactions.

QUANTITATIVE INFORMATION

As also explained in Section 8 – Property, plant and equipment of Part B – Information on the balance sheet – Assets, Banca Profilo holds rights of use for lease agreements with a book value of € 10.9 million at 31 December 2021.
During the year, these rights of use implied the recording of depreciation of € 2.6 million, of which:

- € 2,305 thousand relating to buildings;
- € 298 thousand relating to other (cars and photocopiers).

The book value of lease payables is shown in Part B - Information on the balance sheet - Liabilities - Section 1 - Financial liabilities measured at amortised cost - Item 10, to which reference should be made.
During the year, these lease payables involved the recognition of interest expenses for € 124 thousand, as shown in Part C - Information on the income statement - Section 1 - Interest - Items 10 and 20 of the income statement of these Explanatory Notes.
The Bank currently has no short-term lease agreements. With reference to lease agreements with a modest unit value, the rents payable recognised in administrative expenses are negligible.
It should also be noted that, in order to determine the duration of lease contracts under the scope of IFRS 16, Banca Profilo takes into account the non-cancellable period provided for in the contract, as well as any renewal options, assessing the reasonable certainty of renewal by the Bank. With particular reference to contracts that provide for the lessee’s right to tacitly renew the lease at the end of an initial period, the contractual duration for IFRS 16 purposes is determined by assessing the duration of the initial period, the possible existence of business plans for the disposal of the leased business, as well as any other circumstances that may indicate reasonable certainty about the renewal.
Considering this, the amount of cash flows, not reflected in the calculation of lease payables, to which the Bank is potentially exposed, is to be attributed exclusively to the possible renewal of lease contracts, not incorporated in the original calculation of lease liabilities in light of the information available as at 1 January 2019 for contracts recognised on first-time adoption of the standard, or at the date of commencement of the lease for contracts entered into during the 2019 - 2020 - 2021 financial years.

Section 2 - Lessor

Banca Profilo does not lease its assets to third parties.

Summary statements of the Parent Company Arepo BP

Below is the summary statement required by Article 2497- bis of the Italian Civil Code extracted from the financial statements of Arepo BP S.p.A. for the year ended 31 December 2020. For an adequate and complete understanding of the balance sheet and financial position of the entity indicated above as at 31 December 2020, as well as the economic result achieved in the financial year ended on that date, please refer to the financial statements which, together with the Independent Auditors' report, are available in the forms and manner required by law.

Arepo BP S.p.A. Separate Statutory Balance Sheet

Assets (amounts in €)	**31/12/2020**	**31/12/2019**
10. Cash and cash equivalents	103	41
20. Financial assets measured at fair value through profit and loss		
a) financial assets held for trading;		
b) financial assets designated at fair value;		
c) other financial assets mandatorily measured at fair value		
30. Financial assets measured at fair value through other comprehensive income		
40. Financial assets measured at amortised cost	321,717	430,889
a) loans and advances to banks	321,717	430,889
b) loans and advances to customers		
50. Hedging derivatives		
60. Change in value of macro-hedged financial asset (+/-)		
70. Equity investments	89,524,286	99,820,538
80. Property, plant and equipment	245,086	283,318
90. Intangible assets		
of which:		
- goodwill		
100. Tax assets	1,553,798	2,114,421
a) current	864,328	798,953
b) deferred	689,470	1,315,468
110. Non-current assets and disposal groups held for sale	7,900,000	
120. Other assets	1,680,490	686,679
Total Assets	**101,225,480**	**103,335,886**

Liabilities and Shareholders' equity (amounts in €)	**31/12/2020**	**31/12/2019**
10. Financial liabilities measured at amortised cost	4,732,495	4,357,025
a. Deposits from banks	3,741,858	3,338,630
b. Deposits from customers	990,637	1,018,395
c. Debt securities issued		
20. Financial liabilities held for trading		
30. Financial liabilities designated at fair value		
40. Hedging derivatives		
50. Change in value of macro-hedged financial liabilities (+/-)		
60. Tax liabilities		
a) current		
b) deferred		
70. Liabilities associated with assets held for sale		
80. Other liabilities	2,741,187	1,752,652
90. Employee severance indemnity		31,596
100. Provision for risks and charges		
a) commitments and guarantees issued		
b) pension and similar obligations		
c) other provisions for risks and charges		
110. Valuation reserves		(3,682)
120. Redeemable shares		
130. Equity instruments		
140. Reserves	(7,717,949)	(6,854,679)
150. Share premium	69,855,099	69,855,099
160. Share capital	35,060,000	35,060,000
170. Treasury shares (-)		
180. Profit (Loss) for the year (+/-)	(3,445,352)	(862,125)
Total Liabilities and Shareholders' Equity	**101,225,480**	**103,335,886**

Arepo BP S.p.A. Separate Income Statement

Income statement items (amounts in €)	2020	2019
10. Interest income and similar revenues	444	1,281
20. Interest expense and similar charges	(131,734)	(75,398)
30. Net interest income	(131,290)	(74,117)
40. Fee and commission income		
50. Fee and commission expenses	(757)	(2,049)
60. Net fee and commission income	(757)	(2,049)
70. Dividends and similar income		1,269,263
80. Net profit (loss) from trading		
90. Net profit/(loss) from hedging		
100. Profit/(loss) from disposal or repurchase of:		
a) Financial assets measured at amortised cost		
b) Financial assets measured at fair value through other comprehensive income		
c) Financial liabilities		
110. Net profit (loss) from other financial assets and liabilities measured at fair value through profit and loss		
a) financial assets and liabilities designated at fair value		
b) other financial assets mandatorily measured at fair value		
120. Intermediation margin	(132,047)	1,193,097
130. Net value adjustments/reversals for credit risk on:		
a) Financial assets measured at amortised cost		
b) Financial assets measured at fair value through other comprehensive income		
140. Profit/loss from contractual changes without derecognitions		
150. Net result from financial activities	(132,047)	1,193,097
160. Administrative expenses:	(1,285,311)	(1,252,930)
a) personnel expense	(813,963)	(877,158)
b) other administrative expenses	(471,348)	(375,772)
170. Net provisions for risks and charges		
a) Commitments and guarantees issued		
b) Other net provisions		
180. Net value adjustments/reversals on property, plant and equipment	(38,223)	(38,285)
190. Net value adjustments/reversals on intangible assets		
200. Other operating income/expenses	9,895	38,202
210. Operating expenses	(1,313,649)	(1,253,013)
220. Gains (losses) on equity investments	(2,396,252)	(1,183,844)
230. Net result from the fair value measurement of property, plant and equipment and intangible assets		
240. Value adjustments to goodwill		
250. Profits/(Losses) on disposals of investments		
260. Profit/(loss) before tax from continuing operations	(3,841,948)	(1,243,760)
270. Tax on income for the year for continuing operations	396,596	381,635
280. Profit/(loss) after tax from continuing operations	(3,445,352)	(862,125)
290. Profit/(loss) after tax from discontinued operations		
300. Profit/(loss) for the year	(3,445,352)	(862,125)

ANNEXES TO THE SEPARATE FINANCIAL STATEMENTS

Reclassified separate balance sheet

ASSETS (amounts in €/thousand)	2021	2020	Changes Absolute	Changes %
Cash and cash equivalents	24,727	**81,925**	**-57,198**	**-69.8**
Financial assets in Securities and derivatives	**959,947**	**914,685**	**45,262**	**4.9**
- Trading portfolio	380,091	409,629	-29,538	-7.2
- Portfolio mandatorily measured at fair value	0	38	-38	-100.0
- Banking Portfolio	578,412	504,612	73,800	14.6
- Hedging derivatives	1,444	405	1,039	256.2
Receivables	**613,447**	**486,084**	**127,363**	**26.2**
- Receivables from banks and banking counterparties	58,596	83,193	-24,597	-29.6
- Receivables from customers for active loans	340,623	288,976	51,647	17.9
- Other receivables from customers	214,228	113,915	100,313	17.9
Fixed assets	**41,845**	**69,019**	**-27,174**	**-39.4**
- Equity investments	25,395	51,448	26,053	-50.6
- Property, plant and equipment	11,978	14,347	-2,369	-16.5
- Intangible assets	4,472	3,224	1,248	-16.5
Other asset items	**30,813**	**30,388**	**425**	**1.4**
Total Assets	**1,670,779**	**1,582,101**	**88,678**	**5.6**

LIABILITIES (amounts in €/thousand)	2021	2020	Changes Absolute	Changes %
Payables	**1,329,486**	**1,228,915**	**100,571**	**8.2**
- Payables to banks and central counterparties	337,622	267,959	69,663	26.0
- Current accounts and on-demand deposits with customers	638,645	683,817	-45,172	-6.6
- Leases and other payables to customers	348,321	277,139	71,182	25.7
- Certificate issued	4,898	0	4,898	100.0
Financial liabilities in Securities and derivatives	**144,814**	**143,230**	**1,584**	**1.1**
- Trading portfolio	92,415	110,536	-18,121	-16.4
- Hedging derivatives	52,399	32,693	19,706	-16.4
Employee severance indemnity	**1,402**	**1,610**	**-208**	**-12.9**
Provisions for risks and charges	**1,195**	**387**	**808**	**209.1**
Other liability items	**31,643**	**38,784**	**-7,141**	**-18.4**
Shareholders' equity	**162,239**	**169,175**	**-6,936**	**-4.1**
Total liabilities	**1,670,779**	**1,582,101**	**88,678**	**5.6**

Reclassified separate income statement

ITEMS (amounts in €/thousand)	2021	2020	Changes Absolute	Changes %
Net interest income (1)	17,617	14,342	3,275	22.8
Net fee and commission income (2)	27,086	20,059	7,027	35.0
Net result from financial activities and dividends (3)	24,638	26,572	-1,934	-7.3
Other operating income/expense (4)	539	659	-120	-18.2
Total net revenues	**69,880**	**61,632**	**8,248**	**13.4**
Personnel expense	(28,189)	(24,280)	-3,909	16.1
Other administrative expenses (5)	(17,367)	(15,144)	-2,223	14.7
Value adjustments on intangible assets and property, plant and equipment	(3,865)	(3,762)	-103	2.7
Total operating expenses	**(49,421)**	**(43,186)**	**-6,235**	**14.4**
Operating income	**20,459**	**18,446**	**2,013**	**10.9**
Net provisions for risks and charges	97	407	-310	-76.2
Net value adjustments/reversals for credit risk relating to financial assets measured at amortised cost	(1,175)	(316)	-859	271.8
Net value adjustments/reversals on financial assets measured at fair value through other comprehensive income	(93)	17	-110	0.0
Value adjustments to goodwill	(128)	(148)	20	-13.5
Profit/(loss) on disposal of equity investments (6)	2,881	0	2,881	100.0
Profit/(loss) for the year before tax	**22,041**	**18,406**	**3,635**	**19.7**
Tax on income for the year for continuing operations (7)	(4,651)	(4,393)	-258	5.9
Charges relating to the banking system (net of taxes) (8)	(930)	(901)	-29	3.2
Profit for the year after tax	**16,460**	**13,112**	**3,348**	**25.5**

(1) coincides with item 10. Interest Income and 20. Interest Expense (Bank of Italy Circular 262).
(2) includes Items 40. Fee and commission income and 50. Fee and commission expense in the mandatory annual financial statements (Bank of Italy Circular 262). From a management perspective, the item "Fee and commission income" shows the portion of the profitability of the product that remunerates the placement activity carried out by the Bank for the issue of its Certificates, included in accounting item 80 "Net result from financial activities" for an amount of € 61 thousand. The item also discounts commission reimbursements of € 0.4 million reclassified from the operational point of view under the item "other operating income and expenses".
(3) includes Items 70. Dividends and similar income, 80. Net profit/(loss) from trading, 90. Net profit/(loss) from hedging, 100. Profit/(loss) from disposal/repurchase and 110. Net profit/(loss) from other financial assets and liabilities measured at fair value through profit and loss in the mandatory annual financial statements (Bank of Italy Circular 262). The item discounts the portion of the profitability of the product that remunerates the placement activity carried out by the Bank for the issue of its Certificates, for an amount of € 61 thousand, reclassified on a management basis to "Net fee and commission income".
(4) coincides with Item 200. Other operating expenses/income (Bank of Italy Circular 262) included under Operating expenses in the mandatory annual financial statements, net of the recovery of stamp duty payable by Customers (for € 4.3 million) and the imbalance of income and expenses deriving from the Tinaba/Banca Profilo partnership agreement (net expenses of € 0.4 million), reclassified from an operational point of view under the item "Other administrative expenses", as well as net of the indemnities paid to the buyers of Banque Profil de Gestion (expenses of € 0.5 million) reclassified from an operational point of view under the item "Profit/(Loss) from discontinued operations after tax". This item also includes commission reimbursement for € 0.4 million from the management item "net fee and commission income".
(5) includes item 160 b) Other administrative expenses shown net of the recovery of stamp duty payable by customers (for € 4.3 million) and gross charges relating to the banking system (for € 1.4 million), the latter reclassified operationally under the item "Charges relating to the banking system net of taxes". This item also includes the imbalance of income and expenses deriving from the Tinaba/Banca Profilo partnership agreement (net expenses of € 0.4 million) deriving from the management item "Other operating income (expenses)".
(6) includes the result from the sale of Banque Profil de Gestion, equal to € 3.4 million, classified under item 220. Gains/(Losses) on equity investments of the mandatory financial statements (Bank of Italy Circular 262), net of the indemnities paid to the acquiring counterparty, equal to € 0.5 million, classified in the accounts under item 200. Other operating income/expense.
(7) coincides with Item 270. "Tax on income for the year for continuing operations" of the mandatory annual financial statements (Bank of Italy Circular 262), net of the tax effect on Charges relating to the banking system (for € 0.4 million) reclassified operationally under the item "Charges relating to the banking system (net of taxes)".
(8) includes charges aimed at maintaining the stability of the banking system (for € 1.4 million) classified in the accounts under item 160 b). Other administrative expenses and shown net of the tax effect (for € 0.4 million) accounted for under item 270. Tax on income for the year for continuing operations.

ANNEX PURSUANT TO ARTICLE 149-DUODECIES OF CONSOB REGULATION 11971/99

Disclosure on audit fees and other non-audit services
Annex pursuant to Art. 149-duodecies of CONSOB regulation 11971/99

Type of service (in €/thousand)	Party providing the service	Recipient	Fees without VAT
Auditing services	Deloitte & Touche S.p.A.	Banca Profilo S.p.A.	133
Release of attestations	Deloitte & Touche S.p.A.	Banca Profilo S.p.A.	91
Total			**224**

CERTIFICATION OF THE FINANCIAL STATEMENTS

CERTIFICATION OF THE SEPARATE FINANCIAL STATEMENTS PURSUANT TO ART. 81-TER OF CONSOB REGULATION NO. 11971/99 AND SUBSEQUENT AMENDMENTS AND ADDITIONS

1. The signatories Fabio Candeli, as Chief Executive Officer and Giuseppe Penna, as Manager Responsible for Preparing the Company's Financial Reports of Banca Profilo S.p.A., hereby certify, also in consideration of the provisions of art. 154-*bis*, paragraphs 3 and 4, of Italian Legislative Decree no. 58 dated 24 February 1998:

• the adequacy in relation to the characteristics of the company and

• the effective application of the administrative and accounting procedures for the formation of the separate financial statements in 2021.

2. The assessment of the adequacy of the administrative and accounting procedures for the formation of the separate financial statements were based on an internal model set in place by Banca Profilo S.p.A. coherent with the *Internal Control – Integrated Framework* issued by the *Committee of Sponsoring Organizations of the Tradeway Commission (CoSo)*, which represents the standard for the internal audit system generally accepted at international level.

3. We also hereby certify that:

3.1 the separate financial statements as at 31 December 2021;

a) were drawn up in compliance with the applicable international accounting standards recognised in European Community as per EC Regulation no. 1606/2002 of the European Parliament and Council, dated 19 July 2002;

b) comply with the results of the accounting records and journal entries;

c) are suitable for providing a true and fair view of the balance sheet, income statement and financial situation of the issuer.

3.2 The report on operations includes a reliable analysis of operating performance and results, as well as the situation of the issuer, together with a description of the main risks and uncertainties to which the same are exposed.

Milan, 17 March 2022

Signed by	Signed by
Chief Executive Officer	***Manager Responsible for Preparing the Company's Financial Reports***
Fabio Candeli	Giuseppe Penna

REPORT OF THE BOARD OF STATUTORY AUDITORS

Report of the Board of Statutory Auditors to the Shareholders' Meeting of Banca Profilo S.p.A. pursuant to article 153 of Italian Legislative Decree no. 58/1998

Dear Shareholders,

this report, drawn up pursuant to article 153 of Italian Legislative Decree no. 58/1998 (the "TUF"), reports on the activity carried out by the Board of Statutory Auditors (the "Board") of Banca Profilo S.p.A. ("Profilo" or the "Bank") in the financial year ended 31 December 2021, in compliance with the reference legislation, also taking into account the rules of conduct of the Board of Statutory Auditors recommended by the National Council of Chartered Accountants and Accounting Experts and CONSOB communications on corporate controls and the activities of the Board of Statutory Auditors.
The Board of Statutory Auditors, which also performs the functions of a Supervisory Body, was appointed by the shareholders' meeting of 22 April 2021. During the year, the Board changed its composition due to the resignation of the Standing Auditor Prof Andrea Amaduzzi, who was replaced, in accordance with the law and the Articles of Association, by the alternate auditor Ms Maria Sardelli.
In this regard, it is recalled that the next Shareholders' Meeting will have to resolve on the reconstitution of the Board of Statutory Auditors.

1. Supervision of compliance with the law and the Articles of Association

The Board periodically obtained information from the Directors, including through participation in Board meetings, on the activities carried out and on the most significant economic, financial and equity transactions approved and implemented during the year, executed by the Bank and by the Group companies, also pursuant to article 150, paragraph 1, of the TUF.
On the basis of the information acquired, the Board did not become aware of any transactions that do not comply with the law and the Articles of Association, or that are manifestly imprudent, risky, in contrast with the resolutions of the Shareholders' Meeting, or that might compromise the integrity of the corporate assets. In addition, transactions involving a potential conflict of interest were resolved in accordance with the law,

regulatory provisions and Articles of Association, subject to assessment by the Control and Risks Committee, where applicable.
During the year, the Board did not find or receive any information regarding the existence of any atypical and/or unusual third-party, related-party or intra-group transactions.
As regards the specific information regarding the characteristics of the transactions and their economic effects, reference should be made to what has been stated by the directors in the Report on Operations.

Among the significant events of the year, and in view of their relevance in the context of an assessment of the Bank's solidity and development prospects, the Board considers it appropriate to recall the following:

- in line with its investment policies and with the term of the Fund, which ended on 5 March 2022, the Sator Private Equity Fund continued a process, in collaboration with the advisor Lazard and which is still in progress, aimed at increasing the controlling interest held in the Bank;
- on 1 June the Bank completed the disposal of the Swiss subsidiary *Banque Profil de Gestion* SA (BPDG) and of the Luxembourg sub-investee *Dinamic Asset Management* SA.

During the year, the Board of Statutory Auditors met 28 times. The Statutory Auditors attended the one Shareholders' Meeting, the 19 meetings of the Board of Directors, and with their own representative or frequently in joint session, attended the 3 meetings of the Appointments Committee, the 5 meetings of the Remuneration Committee and the 18 meetings of the Control and Risks Committee.

1. Supervision of compliance with the principles of proper administration and the adequacy of the organisational structure

The Board acquired knowledge and continually monitored the adequacy of the organisational structure, compliance with the principles of proper administration, and the adequacy of the instructions given by the Company to its subsidiaries pursuant to article 114, paragraph 2, of the TUF, through the acquisition of information from the heads of the competent corporate functions and meetings with the Independent Auditors as part of the mutual exchange of relevant data and information.

In this regard, on the basis of both direct discussions with the various corporate functions during the periodic meetings, and the evidence that emerged following the checks carried out by the Control Functions, the Board found the Bank's organisational and regulatory structure to be adequate overall.
The Board of Statutory Auditors also maintained a periodic flow of information with the Boards of Statutory Auditors of the parent company and of the subsidiaries to facilitate the exchange of information between the group's control bodies.
No critical issues were reported by the boards of statutory auditors or by the other control bodies of the subsidiaries.

2. Supervision of the internal control and risk management system

The Board supervised the adequacy of the internal control and risk management system, maintaining a continuous dialogue with the Control Functions, promoting and ensuring their coordination both with reference to the planning of activities and, above all, in the process of presenting to the Corporate Bodies the evidence that emerged as a result of the checks carried out.
With regard to line (or first-level) controls, the Board monitored their adequacy by examining the checks carried out by the second and third-level Company Control Functions.
In summary, the Board's activities were carried out through:

- meetings with the Chief Executive Officer to examine the internal control and risk management system;
- continuous meetings and exchanges of information with the heads of the Audit, Compliance & Anti-Money Laundering and Risk Management Functions, in order to evaluate both the work planning, based on the identification and assessment of the main risks present in the processes and organisational units, and its actual implementation during the financial year;
- analysis of all Internal Audit, Compliance & Anti-Money Laundering and Risk Management reports;
- examination of the *Tableau de bord* of the Control Functions and of the reports on the results of the monitoring and on the implementation of the corrective actions identified;
- examination of the annual reports and plans of the Company Control Functions;
- periodic acquisition of information from the heads of business functions;
- discussion of the results of the independent auditor's

work;

- participation in the meetings of the Control and Risks, Appointments and Remuneration Committees;
- acknowledgement of the contents of the Corporate Governance Report regarding the adequacy and effective functioning of the internal control system.

The Board acknowledges that the Annual Reports of the Control Functions conclude with an overall adequate opinion on the internal control structure. This opinion was shared by the Board of Directors which in this regard was also guided by a specific investigation conducted by the Control and Risks Committee.

With regard to business continuity and IT risk, the Board examined the "Summary report on the IT risk situation" prepared in accordance with the requirements of Bank of Italy Circular no. 285/2013. With regard to IT risk, the annual analysis did not highlight any significant issues.

In consideration of the fact that the Board of Statutory Auditors also performs the functions of the Supervisory Body pursuant to Italian Legislative Decree no. 231/2001, it supervised the updating of the Organisation, Management and Control Model adopted by the Company pursuant to Italian Legislative Decree no. 231/01, made necessary in order to implement the regulatory changes and organisational changes that have occurred. In this regard, the Supervisory Body however pointed out the need to take action on the document with a risk assessment activity to better identify sensitive areas. In any case, it should be noted that its operation and compliance was monitored continuously and promptly, and that there are no observations to report in this regard.

On the basis of the activity performed, the information acquired and the content of the Reports of the Control Functions, the Board believes that there are no critical elements such as to affect the structure of the internal control and risk management system.

1. Supervision of the administrative accounting system and the financial reporting process

The Board, in its capacity as Internal Control and Audit Committee, also following the organisational changes made, monitored the process and checked the effectiveness of the internal control and risk management systems as regards financial reporting.

Financial reporting is managed by the Manager responsible for preparing the corporate accounting documents ("Financial Reporting Officer"), adopting models that refer to best market practice and that provide reasonable assurance on the reliability of financial reporting, on the effectiveness and efficiency of operating activities, and on compliance with laws and internal regulations. The processes and controls are periodically reviewed and updated where necessary.

The control of the correct functioning of the model to oversee compliance with Italian Law no. 262/2005 is guaranteed by a series of checks carried out by the Bank's Internal Audit and Administration Functions.

The Board periodically met with the Financial Reporting Officer to exchange information on the administrative accounting system and its reliability for the purposes of correctly representing management events. The Board also examined the declarations of the Chief Executive Officer and the Financial Reporting Officer pursuant to the provisions contained in article 154-*bis*of the TUF and met with the Internal Audit Function to verify the results of the activity carried out in this regard.

In light of the activity carried out, the Board has no evidence of shortcomings that could invalidate the judgement of adequacy and effective application of the administrative accounting procedures, for the purpose of the correct economic, equity and financial representation of the operations.

During the year, the independent auditors did not report any critical issues to the Board such as to affect the adequacy of the internal control system inherent to the administrative and accounting procedures.

It should be noted that, in accordance with the provisions of Delegated Regulation (EU) 2019/815 (hereinafter "ESEF Regulation"), the Annual Financial Report has been prepared in the new European Single Electronic Format (ESEF), which is a combination of HTML and XBRL (eXtensible Business Reporting Language) *markups*. Furthermore, the information contained in the Consolidated Financial Statements has been mapped according to the "Inline XBRL" specifications contained in the basic taxonomy issued by ESMA.

2. Supervision of transactions with related parties

The Board monitored the compliance of the Procedure for Related-Party Transactions with current legislation and its correct application. The Board participated in the meetings of the Control and Risks Committee, which was responsible, in compliance with the provisions in force from time to time on the matter and the provisions of the internal regulations in this regard, for assessing the Bank's interest in carrying out material or immaterial related-party transactions, as well as whether the relative terms and conditions were beneficial and substantively fair.
The Board periodically received information relating to the operations carried out. The Board also received the report containing the summary of the transactions with Related Parties exempt from the application of the procedures carried out in the 2021 financial year.
The Board of Statutory Auditors is not aware of any intra-group and related-party transactions that were carried out in conflict with the interest of the Company and/or at non-market conditions.

The Board verified that the Board of Directors has provided adequate information on transactions with Related Parties in the Report on Operations and in the notes to the financial statements, taking into account the provisions of the current regulations.

Taking into account also the results of the activities carried out by the various functions involved in the Procedure for Related-Party Transactions, the Board considers the transactions with related parties to have been adequately supervised.

3. Procedures for implementing the corporate governance rules

The Bank has adopted a new regulation of the Board of Directors and of the Committees, acknowledging the principles set out in the new Corporate Governance Code promoted by Borsa Italiana in the terms illustrated in the "Report on Corporate Governance and Ownership Structures".

In compliance with the provisions of the Corporate Governance Code, the Board verified the correct application of the assessment criteria and procedures adopted by the Board of Directors to assess the independence of its members on the basis of the criteria established by law and by said

Corporate Governance Code.

The Board also carried out the self-assessment of the independence of its members, at the end of which it confirmed the existence of the requisites required by law and the Corporate Governance Code; it is also acknowledged that no Statutory Auditor had an interest, on their own behalf or on behalf of third parties, in any transaction of the Company during the year 2021.
During 2021, the Board carried out the self-assessment process aimed at gathering the opinions of the members both on the functioning and on the composition of the Board. The results, the assessments carried out and the conclusive indications were discussed collectively, recorded and reported to the Board of Directors.

The members of the Board of Statutory Auditors complied with the limit on the number of offices held envisaged by article 144-*terdecies* of the CONSOB Issuers' Regulation and by the Ministry of Economy and Finance Decree no. 169/2020.

4. Supervision of the statutory auditing activities

In accordance with the provisions of article 19 of Italian Legislative Decree no. 39/2010, the Board carried out the prescribed supervisory activity on the work of the independent auditing firm Deloitte & Touche S.p.A.

The Board met periodically with the independent auditors for the planned exchange of information. In these meetings, the auditors never highlighted facts deemed reprehensible or irregularities such as to require reporting pursuant to article 155, paragraph 2, of the TUF.

On 6 April 2022, the independent auditors released, pursuant to article 14 of Italian Legislative Decree no. 39/2010 and article 10 of Regulation (EU) no. 537/2014, the Audit Reports on the separate and consolidated financial statements as at 31 December 2021.

With regard to the judgements and certifications, Deloitte & Touche, in the Audit Report and Opinion on the Financial Statements has:

- issued an opinion from which it appears that the separate and consolidated financial statements of Banca Profilo provide a true and fair view of the financial position of the Bank as at 31 December 2021, of the financial performance and of the cash flows for the year ended on that date in accordance with the International Financial Reporting Standards adopted by the European Union, as well as the provisions issued in implementation of Article 9 of Italian Legislative Decree no. 38/05 and article 43 of Italian Legislative Decree no. 136/15;

- issued a consistency opinion indicating that the Report on Operations accompanying the separate financial statements and the consolidated financial statements as at 31 December 2021 and some specific information contained in the "Report on Corporate Governance and Ownership Structures" indicated in article 123- bis, paragraph 4, of the TUF, the responsibility for which lies with the Bank's directors, have been prepared in compliance with the law;
- declared, with regard to any significant errors in the Report on Operations, based on the knowledge and understanding of the company and the relative context acquired during the audit activity, that it has nothing to report;
- issued an opinion on the compliance of the consolidated and separate financial statements with the provisions of Delegated Regulation (EU) 2019/815;
- declared that the consolidated financial statements and the separate financial statements have been prepared in XHTML format and that the consolidated financial statements have been marked up, in all significant aspects, in compliance with the provisions of Delegated Regulation (EU) 2019/815.

On 6 April 2022, the Independent Auditors also presented to the Board, in its capacity as "Internal Control and Audit Committee", the Additional Report required by article 11 of Regulation (EU) no. 537/2014, which reveals no significant deficiencies in the internal control system in relation to the financial reporting process worthy of being brought to the attention of those responsible for governance. The Board will inform the Company's Board of Directors about the contents of the Additional Report, accompanied by any observations, pursuant to article 19 of Italian Legislative Decree no. 39/2010.

The Independent Auditors also presented the declaration relating to independence to the Board of Statutory Auditors, as required by article 6 of Regulation (EU) no. 537/2014, from which no situations arise that could compromise its independence. Finally, the Board took note of the Transparency Report prepared by the independent auditors published on its website pursuant to article 18 of Italian Legislative Decree no. 39/2010.

During the 2021 financial year, the Independent Auditors received, directly or through other companies belonging to its network, the following additional assignments in addition to the one concerning the auditing activity:

- the issue of the opinion of the independent auditors pursuant to article 2433-bis, paragraph 5, of the Italian Civil Code regarding the distribution of an interim dividend for financial year 2021 by Banca Profilo S.p.A.;
- the carrying out of some agreed verification procedures on customer census documents in compliance with US QI and Foreign Account Tax Compliance Act (FATCA) regulations and on summary statements of US-source income collected on behalf of customers.

Taking into account the absence of further assignments conferred on it and its network by Banca Profilo and by the investee companies, the Board does not consider there to be any critical aspects regarding the independence of the Independent Auditors.

1. Omissions or reprehensible facts, opinions rendered and further activities of the Board of Statutory Auditors

The Board is not aware of any facts, complaints pursuant to article 2408 of the Italian Civil Code or claims to report to the Shareholders' Meeting.

The Board has issued the opinions required by current legislation.

In the course of the activity carried out and on the basis of the information obtained, no omissions, reprehensible facts, irregularities or in any case significant circumstances were found such as to require reporting to the Supervisory Authorities or mentioning in this Report.

The Board has taken note of the preparation of the Annual Report on the 2022 Remuneration Policy and on the remuneration paid in relation to the 2021 financial year, pursuant to Article 123-ter of the TUF and has no particular observations to report.

2. Conclusions

Not having the responsibility for the legal control of the accounts, with reference to the Separate Financial Statements and the Consolidated Financial Statements, the Board of Statutory Auditors has verified its general compliance with the rules governing their formation and structure.
The Board has also verified, to the extent of its competence, the substantial correspondence with the facts and information of which it has become aware following the performance of its duties. In this regard, the Board has no particular observations to report.

In the Report on Operations and the Explanatory Notes to the Financial Statements, the Directors describe the main risk factors and uncertainties that could affect the future scenarios in which the Group will operate and to which it is exposed. It was also pointed out that these impacts were incorporated in the formulation of the assumptions underlying the assessments made, and that the information and sensitivity analyses provided with reference to the main items of the financial statements subject to estimate are capable of reflecting the impacts related to the elements of uncertainty assumed at the date of preparation of this Financial Report.

Taking into account the specific duties of the Independent Auditors in terms of accounting control and verifying the reliability of the financial statements, the Board has no observations to make to the Shareholders' Meeting, pursuant to article 153 of the TUF, regarding the approval of the financial statements as at 31 December 2021 accompanied by the Report on Operations as presented by the Board of Directors, the proposal for the allocation of the profit for the year and the distribution of dividends according to the timescales and the methods proposed by the Company's Board of Directors.

Milan, 6 April 2022

On behalf of the Board of Statutory Auditors

The Chairman
Signed by Nicola Stabile

INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
Banca Profilo S.p.A.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Banca Profilo S.p.A. (the "Bank"), which comprise the Separate Balance Sheet Statement as at December 31, 2021, and the Separate Income Statement, Separate Statement of Comprehensive Income, Separate Statement of Changes in Equity and Separate Cash Flow Statement for the year then ended, and Notes to the Separate Financial Statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and to art. 43 of Italian Legislative Decree no. 136/15.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Deloitte.

Disposal of the investment held in Banque Profil de Gestion SA

Description of the key audit matter	On 1st June 2021, following the obtainment of the authorisation from the Swiss Financial Market Supervisory Authority (FINMA), the closing of the transaction was finalised, which in one respect envisaged the purchase by Banque Profil de Gestion SA (BPDG) of 100% of the capital of One Swiss Bank (OSB) and at the same time, the disposal by Banca Profilo of all the shares held in BPDG to the current shareholders of OSB. The transaction price, amounting to CHF 31.8 million, was settled in cash for CHF 31.2 million, equal to Euro 28.9 million, net of the indemnities paid by Banca Profilo to cover specific costs or potential risks. Following the completion of the aforementioned transaction, an investment gain of Euro 3.4 million was therefore recognised in the Income Statement, corresponding to the difference between the transaction price and the carrying amount of the sold equity investment, previously recognised under non-current assets and disposal groups held for sale. The Notes on the Separate Financial Statements - Part C - Information on the Income Statement, Section 15 - Profit/(loss) from equity investments provide information on the aspects described above. Considering the peculiarity of the related accounting entries and the significance of the related economic and financial effects, we considered the disposal of the investment held in Banque de Profil de Gestion SA a key audit matter in the audit of the Bank's financial statements as at December 31, 2021.
Audit procedures performed	The main procedures carried out as part of our audit work have included the following: • understanding, through obtaining and analysing the relevant documentation, as well as with interviews with the Bank's Management, of the process of completing the BPdG sale transaction; • verification of the accounting entries made by the Bank in compliance with the applicable accounting standards; • verification of the completeness and compliance of the disclosure provided in the financial statements with the requirements of the applicable accounting standards.

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

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and to art. 43 of Italian Legislative Decree no. 136/15 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Bank or for the termination of the operations or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Banca Profilo S.p.A. has appointed us on April 27, 2017 as auditors of the Bank for the years from December 31, 2017 to December 31, 2025.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Bank in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion on the compliance with the provisions of the Delegated Regulation (EU) 2019/815

The Directors of Banca Profilo S.p.A. are responsible for the application of the provisions of the European Commission Delegated Regulation (EU) 2019/815 with regard to the regulatory technical standards on the specification of the single electronic reporting format (ESEF - European Single Electronic Format) (hereinafter referred to as the "Delegated Regulation") to the financial statements, to be included in the annual financial report.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 700B in order to express an opinion on the compliance of the financial statements with the provisions of the Delegated Regulation.

In our opinion, the financial statements have been prepared in XHTML format in accordance with the provisions of the Delegated Regulation.

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Banca Profilo S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and ownership structure of Banca Profilo S.p.A. as at December 31, 2021, including their consistency with the related financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98 with the financial statements of Banca Profilo S.p.A. as at December 31, 2021 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and information contained in the report on corporate governance and ownership structure are consistent with the financial statements of Banca Profilo S.p.A. as at December 31, 2021 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Antonio Zecca
Partner

Milan, Italy
April 6, 2022

As disclosed by the Directors at the bottom of the "Contents" section, the accompanying financial statements of Banca Profilo S.p.A. constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.