



2022 FINANCIAL STATEMENTS

CHERRY BANK S.P.A.

Registered office in Padua, Via San Marco 11
Share Capital Euro 44,638,000 fully paid-up
Padua Companies Register, Tax Code and VAT No.
04147080289
ABI 03365
Bank Register No. 5682
Member of Fondo Interbancario di Tutela dei Depositi
(Interbank Fund for Deposit Protection)
Member of Fondo Nazionale di Garanzia (National
Guarantee Fund)

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EY S.p.A.

LETTER FROM THE CHAIR



GIUSEPPE BENINI

Shareholders,

We are sure that in order to create a better future, it is necessary to believe in change. The challenge to which we felt compelled to adhere is to seize the opportunities that we are able to identify from time to time in change, because every challenge can be an opportunity.

Cherry Bank is a Project created with the objective of generating sustainable value over time, which the Bank seeks in situations that are complex for others; and in market niches that an entity such as ours is able to exploit.

Since our inception, we have had a strategy based on speed of management through lean decision-making processes, which is already giving us results above expectations.

In this context, which is in any case complex, we considered it our duty to take on the issues of ESG principles relating to the environment, social issues and governance, as a contribution to a better World, regardless of the timetable for their adoption provided by the Regulator.

As a Bank part of the system, we are in a position, based on a principle of proportionality, to do our part to accelerate the transition to a more sustainable future.

The financial and advisory support that is inherent to our role is the means by which we can and want to channel resources, to stimulate in companies and households strategies and investments that are recognised as more technologically efficient or more capable of presiding over the multiple risks that arise from the challenge of sustainability.

We are, therefore, very attentive to the "social corporate governance" strategy, the strengthening plans of which are the subject of continuous focus so that they are *compliant* with the principles we pursue.

After the merger of Cherry 106 and Banco delle Tre Venezie, which gave rise to Cherry Bank, the Bank set up a Control and Risk Committee, albeit in a context of non-compulsory regulation.

With a view to strengthening *social corporate governance*, this Committee has also been assigned the role of supporting the Board of Directors on the subject of "Sustainability", thus adding this noun to its original name, to signify the centrality of related issues in a context of global strategies to be pursued without hesitation.

Specifically, at the end of 2022, several projects and initiatives were launched to integrate ESG factors into the Bank's activities, with the aim of combining business development and economic-financial solidity over time with social and environmental sustainability.

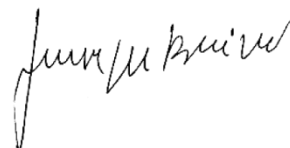
In this respect, we have drawn up the 22/24 Sustainability Plan, with the execution of which we want to think that we can contribute, with all our limitations, to creating a better future: for us who work in the banking sector it is a privilege. In this challenge we want to be there no matter what.

The Plan encompasses more than fifty initiatives, first and foremost the drafting of Cherry Bank's first Sustainability Report, published in parallel with these achievements.

The drafting of our first Social Report does not derive at the moment from regulatory obligations, but from the precise desire to testify our sentiment with this document, in the conviction that this can also positively raise awareness among our stakeholders.

Naturally, we will continue to pay attention to "opportunities", with the aim of continuing to expand into other territories deemed strategic and to preserve and strengthen the network of interlocutors acquired and the Bank's propensity to listen to the needs of households, businesses and institutions.

The challenge we want to address with you is called *generation of shared value*.



LETTER FROM THE CEO



GIOVANNI BOSSI

Shareholders,

The year 2022 saw the creation of Cherry Bank under this name.

Last 28 February, we concluded the process of integrating Cherry 106 into Banco delle Tre Venezie and renamed the Institution Cherry Bank.

We gave this name to the newly created Institution because we were and are convinced of its ability to select opportunities that have the potential to create value for itself and for all those who come into contact with the Bank. The new name is the graphic and, why not, vocal representation of this concept, although the terminology has been borrowed from the English language.

Today, my thoughts turn to the activities that took us so long to complete that integration, enabling us to seize the first opportunity and complete the first challenge, drawing value from it. And we did create value.

From that day on, we embarked on a path of growth, which, already by the end of 2022, was showing its first positive results.

From the outset, in fact, we faced the market in a context of healthy competition, supported by the responsiveness and skills that are an integral part of our Project.

And we are not just talking about competition in quantitative terms, but competition that, as a prerequisite, also has sustainability in the sense of continuous action, capable of benefiting the Bank and its players and, together, the entire market in which it operates.

The digitalisation processes, both in the public and private sector, have accelerated dramatically. The way of working in the Bank has also changed, and is now increasingly flexible and hybrid.

In this context, Cherry Bank set out on its path in line with the needs of its customers and with the aim of positioning itself over time as an Institution able to offer solutions to the entire country.

We see technology as an irreplaceable enabler to streamline our work and meet the needs of our stakeholders, whether they are companies or private individuals.

We will continue to take up the challenge of digital transformation and new technologies, which also requires the active participation of the new generations, the true protagonists of change.

We consolidated the Tax Credits Business thanks to the Bank's two proprietary platforms, SuperB, dedicated exclusively to Banco BPM customers, and Cherry Credit, dedicated to our corporate customers.

In 2022, we enabled households to obtain ready liquidity for the renovation and efficiency upgrading of their homes by intermediating tax credits worth over Euro 1 billion, acting as a *trait d'union* with mainly large banks and equally large tax credits.

We have also launched the online current account, a new digital offer that allows individuals and households to deposit their savings, benefiting from advantageous rates.

Finally, we have decided to strengthen our presence and role in the Wealth Management market, a growing and high-margin segment.

We started operations for companies with sustainable business models but difficult financial situations. We expect to increase these rapidly in the coming years.

We are competently intervening on behalf of families and businesses that have experienced difficulties in repaying their debts, working to find the best solutions to balance the duty to meet their commitments with the possibility of resuming a normal and financially orderly life. We will continue to increase our efforts in this area.

And we have strengthened the Bank's offering in the more traditional area of business and entrepreneur support. The territorial presence has made it possible to strengthen the tools with which our professionals help operators find the solutions most consistent with their needs. We will also continue unabated on this path of growth.

All this work required an increase in the Bank's workforce, whose resources amounted to 237 at the end of 2022, an increase of more than 100, or 61%, compared to 2021: we are proud to say that 47% of these resources are women.

For all resources, our "cherries", we have recently started a path that will lead us to the definition of a structured training programme, taking into account the specific needs of each one and the appropriate requests aimed at their professional growth. We have named this project "Datemi una C" ("Give me a C"). The project involves multiple aspects of everyone's life within the Bank, from the desire to "get involved", to grow professionally in both cultural and managerial terms, with a focus on change management and sharing.

Indeed, we are aware that a training plan is first and foremost a path of cultural transformation in an organised context, which must take into account the different backgrounds and mindsets of each person.

Cherry Bank wants to grow and, in order to do it better and faster, it wants to involve all the "cherries", who already contribute with ideas, proposals and "emotions" to the Institution's growth path.

Our business plan for the next three years is ambitious and is part of the challenge we have taken on. It speaks of technology, sustainability, the future and young people, who are the future itself.

Therefore, we want to approach the new generations with a feeling of great responsibility and intend to do "our part" together with all the other Institutions of the country.

The effort so far in such a tight timeframe has been great. However, we assure you that we look ahead with all the foresight of which we are capable.



We are committed to dedicating all our strength and energy that the development of our Project requires, always with the primary objective of being a Bank that is first and foremost a business, aware of its role in Society, sustainable as one that cares about balance over time.

Ours is a daily commitment that is destined to last for the future: we will not fail.

A handwritten signature in black ink, appearing to read 'Giovanni S. Rossi', is positioned in the upper right area of the page.

NOTICE OF MEETING

Published in the Official Journal of the Italian Republic No. 40 of 4 April 2023

Shareholders are called to the Ordinary Shareholders' Meeting in first call on 21 April 2023 at 10:00 a.m. and, if necessary, in second call on 22 April 2022 at 10:00 a.m. at the Best Western Plus Net Tower Hotel – Padua – Via San Marco 11/A to discuss and resolve on the following agenda:

Agenda:

1. Financial Statements at 31 December 2022;
 - 1.1. Approval of the Financial Statements at 31 December 2022;
 - 1.2. Allocation of the result for the year;
Related and consequent resolutions.
2. Remuneration and Incentive Policies:
 - 2.1. Disclosure on the implementation of the Remuneration and Incentive Policies adopted in the financial year 2022;
 - 2.2. Approval of the Remuneration and Incentive Policy for the year 2023;
Related and consequent resolutions.
3. Any other business.

Padua, 30 March 2023

Chair of the Board of Directors
Giuseppe Benini

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Report on Operations

Introductory notes
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Macroeconomic scenario
Market context
Our core businesses
Main balance sheet aggregates
Capital and capital ratios
Main economic results
Main risks and uncertainties
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Business outlook
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INTRODUCTORY NOTES

The comparison of the figures for the financial year 2022 with the figures for the previous year 2021 is made difficult due to the effects of the **merger by incorporation of Cherry 106 S.p.A. ("C106") into Banco delle Tre Venezie S.p.A. ("BTV")** in the previous year, with the allocation to Cherry 106 shareholders of 51% of the Bank's share capital as resulting from the merger, which took place on 6 October 2021.

The transaction has been represented in the 2021 Financial Statements as a **reverse acquisition**, as required by IFRS 3: the legal acquirer – BTV – is the acquiree from an accounting perspective, while the legal acquiree – C106 – is the accounting acquirer.

Cherry 106 then proceeded with the **Purchase Price Allocation ("PPA")**, whereby the assets acquired, liabilities assumed and contingent liabilities, relating to the accounting acquiree Banco delle Tre Venezie, were recognised at their fair values at the acquisition date.

The **acquisition date**, as allowed by IFRS 3, was made to coincide with **1 October 2021**, even though the legal effectiveness of the merger was realised on 6 October 2021, a date that coincided with the last of the registrations of the Deed of Merger required by law.

The **income statement** for the financial year 2021 of Cherry Bank therefore only includes the results of the Cherry 106 contribution from the fourth quarter 2021 onwards. In addition, the following extraordinary items were recorded:

- the item "Interest and similar income" includes the negative effect of the PPA reversal for the period between the date of acquisition and 31 December 2021 ("PPA reversal") on performing loans in the amount of Euro 0.8 million;
- the item "Net impairment of assets measured at amortised cost" includes Euro 2.7 million for the effect of the re-recognition of impairment on performing loans recorded at their fair value at the date of the business combination;
- "Other administrative expenses" include acquisition and integration costs of the two entities in the amount of Euro 2.2 million;
- The item "Other operating expenses/income" includes the gain on bargain purchase in the amount of Euro 18.7 million.

In order to provide users of Financial Statements with greater clarity, Consob, in its Recommendation No. 62667 of 4 May 2017, invites companies resulting from mergers carried out according to the reverse takeover scheme to provide an indication of the economic components of the accounting acquirer/legal acquiree between the first day of the financial year in which the transaction was entered into and the effective date of the transaction.

Therefore, **a pro-forma income statement** was prepared for 2021, already published in the Report on Operations to the 2021 Financial Statements, and which is reproduced below for ease of reference, in which the income statement figures of Cherry 106 and Banco delle Tre Venezie are represented **as if the business combination had taken place at the beginning of the year, sterilising the extraordinary effects** deriving from the accounting of the PPA described above and eliminating the acquisition and integration costs of the two entities. Said pro-forma income statement was used as a comparative period to the income statement for the year 2022, in order to provide a like-for-like comparison.

(amounts in thousands of Euro)

RECLASSIFIED PRO-FORMA INCOME STATEMENT *	31/12/2021 (a)	STERILISATION BUSINESS COMBINATION (b)	CHERRY106 PRE-MERGER INCOME STATEMENT (c)	31/12/2021 PRO- FORMA (d)=(a)+(b)+(c)
Interest and similar income	20,648	767 ¹	5,343	26,758
Interest and similar expense	(5,139)	-	(860)	(5,999)
Interest margin	15,509	767	4,483	20,759
Commission income	6,107	-	3,809	9,916
Commission expenses	(2,542)	-	(2,266)	(4,808)
Net commissions	3,565	-	1,543	5,108
Dividends and similar income	-	-	-	-
Net trading result	1,181	-	-	1,181
Gains (losses) on disposal or repurchase of	2,787	-	-	2,787
a) financial assets measured at amortised cost	201	-	-	201
b) financial assets measured at FVTOCI	2,586	-	-	2,586
Net result from other financial assets and liabilities measured at FVTPL	(4)	-	-	(4)
b) other financial assets obligatorily measured at FV	(4)	-	-	(4)
Intermediation margin	23,038	767	6,026	29,831
Net impairment/reversal of impairment of:	(11,889)	2,710	-	(9,179)
a) financial assets measured at amortised cost	(11,871)	2,710 ²	-	(9,161)
b) financial assets measured at fair value through other comprehensive income	(18)	-	-	(18)
Net result from financial operations	11,149	3,477	6,026	20,652
Administrative expenses	(18,080)	2,213	(4,969)	(20,836)
a) personnel expenses	(8,413)	-	(2,534)	(10,947)
b) other administrative expenses	(9,667)	2,213 ³	(2,435)	(9,889)
Net allocations to provisions for risks and charges	94	-	-	94
Net impairment/reversal of impairment of tangible assets	(648)	-	(159)	(807)
Net impairment/reversal of impairment of intangible assets	(124)	-	(100)	(224)
Other operating expenses/income	19,381	(18,678) ⁴	35	738
Operating costs	623	(16,465)	(5,193)	(21,035)
Gains (Losses) on investments	(20)	-	-	(20)
Gains (Losses) on disposal of investments	(1)	-	-	(1)
Gains (Losses) on continuing operations, gross of taxes	11,751	(12,988)	833	(404)
Income tax for the year on continuing operations	(7)	-	(345)	(352)
Profit (Loss) for the year	11,744	(12,988)	488	(756)

* Net impairment/reversal of impairment on receivables related to NPL are reclassified under interest income in order to provide a representation consistent with the characteristics of the NPL business, which sees this component as an integral part of performance.

¹ The item "Interest and similar income" includes the negative effect of the PPA reversal for the period between the date of acquisition and 31 December 2021 ("PPA reversal") on performing loans in the amount of Euro 0.8 million.

² Included in the item "Net impairment of assets measured at amortised cost" is Euro 2.7 million for the effect of the re-recognition of impairment on performing loans recorded at their fair value on the date of the business combination.

³ "Other administrative expenses" include the acquisition and integration costs of the two entities in the amount of Euro 2.2 million.

⁴ Included in "Other operating expenses/income" is the gain on bargain purchase in the amount of Euro 18.7 million.

Legend:

- (a) Income statement at 31 December 2021 of Cherry Bank as presented in the financial statements
- (b) Sterilisation of the extraordinary effects of the PPA accounting described above and elimination of the acquisition and integration costs of the two merged entities
- (c) Income statement of Cherry 106 up to the effective date of the merger (6 October 2021)

HIGHLIGHTS AND KPIS

HIGHLIGHTS

(amounts in thousands of Euro)

KEY BALANCE SHEET FIGURES	31/12/2022	31/12/2021	Changes	
			Absolute	%
Financial assets measured at fair value	169,466	406,326	(236,860)	(58.3%)
Receivables from banks	6,219	6,879	(660)	(9.6%)
Receivables from customers	709,194	504,360	204,834	40.6%
Total assets	1,088,331	1,006,853	81,478	8.1%
Payables to banks	317,176	247,761	69,415	28.0%
Payables to customers	670,119	695,157	(25,038)	(3.6%)
Shareholders' Equity	54,275	44,193	10,082	22.8%

(amounts in thousands of Euro)

MAIN RECLASSIFIED INCOME STATEMENT FIGURES ¹	2022	2021 pro-forma ²	2021	Changes 2022-2021 pro-forma	
				Absolute	%
Intermediation margin	49,723	27,867	23,039	21,856	78.4%
Net impairment/reversal of impairment for credit risk	498	(7,215)	(11,889)	7,713	(106.9%)
Net result from financial operations	50,222	20,652	11,150	29,570	143.2%
Operating costs	(37,618)	(21,036)	622	(16,582)	78.8%
Gross profit	12,616	(404)	11,751	13,020	(3222.8%)
Net profit	10,921	(756)	11,744	11,677	(1544.6%)

¹ Net impairment/reversal of impairment of receivables related to NPL are reclassified under interest income in order to provide a representation consistent with the characteristics of the NPL business, which sees this component as an integral part of performance.

² The 2021 pro-forma income statement shows the aggregate figures of Cherry 106 and Banco delle Tre Venezie as if the business combination had taken place at the beginning of the year, also sterilising the extraordinary effects of the PPA accounting and eliminating the acquisition and integration costs of the two entities.

KPIS

MAIN RECLASSIFIED INDICATORS ¹	31/12/2022	31/12/2021	Change
Pro-forma profitability ratios ²			
ROE (Return on Equity)	22.18%	(1.78%)	23.97%
Cost/income	69.46%	70.51%	(1.05%)
Mdl/Use	10.85%	6.46%	4.38%
Cost of risk	(0.82%)	(1.80%)	0.97%
Capital ratios			
RWA	369,054	339,822	32,055
CET 1 and TCR	14.34%	13.10%	1.13%
Pro-forma risk ratios ³			
Net non-performing loans/net loans	4.76%	4.40%	0.36%
Coverage ratio non-performing loans	53.18%	61.64%	(8.46%)
Coverage ratio NPE	43.65%	52.73%	(9.08%)
Gross NPE ratio	14.30%	16.67%	(2.37%)
Net NPE ratio	8.67%	8.71%	(0.04%)
Liquidity ratios			
NSFR	138%	134%	0.04%
LCR	171%	197%	(0.26%)

¹ Net impairment/reversal of impairment on receivables related to NPL are reclassified under interest income in order to provide a representation consistent with the characteristics of the NPL business, which sees this component as an integral part of performance.

² The income statement figures refer to the pro-forma income statement in which the aggregate figures of Cherry 106 and Banco delle Tre Venezie are represented as if the business combination had taken place at the beginning of the year, also sterilising the extraordinary effects deriving from the accounting of the PPA and eliminating the acquisition and integration costs of the two entities.

³ The impaired assets in BTV's financial statements at the time of the business combination are shown without taking into account the effect of their re-recognition to fair value at the acquisition date, however in continuity with BTV's pre-merger financial statements.

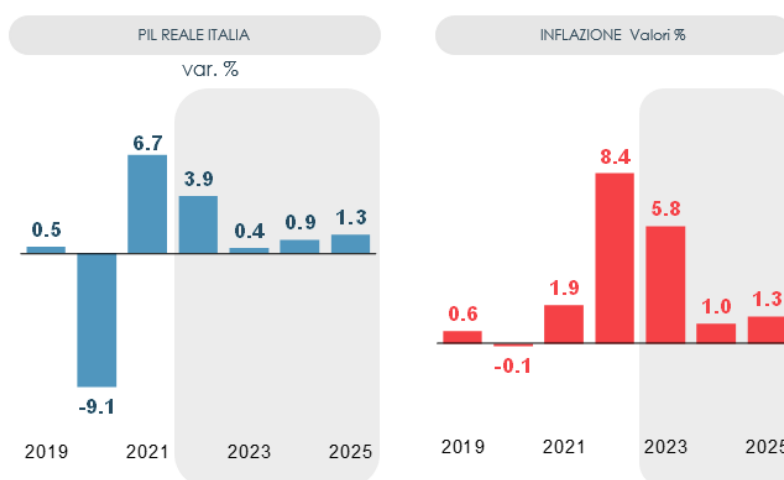
MACROECONOMIC SCENARIO

The economic and financial context in which the Bank operates is characterised by a high degree of uncertainty, which is reflected in the current and prospective situation of economic operators, both public and private.

As the global economy is slowing down, the economies of the Euro Area and Italy are also decelerating after the largely positive results of 2022: output growth in Italy is close to 4%, almost half a point higher than in the Euro Area average. GDP is projected to decrease in 2023 before strengthening again, albeit moderately, in the following two years.

Inflation, which averaged 8.4% in 2022 on a harmonised basis, is expected to fall by two points in 2023 and more decisively in the next year, to below 2% in 2025.

The global economy is slowing down, the Euro Area economies and Italy are also decelerating after the largely positive results of 2022...



Since the end of 2021, previously gradual increases in energy prices became more pronounced and protracted due to the Russian invasion of Ukraine, which made it necessary to accelerate the normalisation of monetary policy. However, it was certainly not unexpected.

The change in the monetary policy stance initiated in December 2021 was indispensable. The ECB had responded with extraordinarily expansionary measures to both the deflationary pressures of the global financial crisis and the Euro Area sovereign debt crisis, and the risks associated with the pandemic. As these factors disappeared, a return to more balanced official rates and liquidity was inevitable.

In October and December 2022, the Governing Council of the ECB raised the official rates again (by 75 and 50 bps, respectively), announcing that they will still have to increase significantly and at a steady pace to support a timely return of inflation to the medium-term target.

At the beginning of February 2023, the Governing Council of the ECB raised rates by a further 50 bps.

At its meeting in October 2022, the Council decided to make the terms and conditions applied to TLTROIII less advantageous. As of 23 November 2022 and until the maturity or redemption of each of the outstanding TLTROIII transactions, the respective cost will be indexed to the average of the ECB reference rates over that period, whereas previously the total maturity of the operations was taken into account. The amendment is intended to ensure that the contribution of this instrument is also consistent with the overall stance of monetary policy by strengthening the transmission of official rate increases to bank credit supply conditions. Following the voluntary repayments made between November 2022 and January 2023 and the expiry of the financing obtained in the programme's

second operation, the total outstanding TLTROIII funds fell to Euro 1,255 billion for the Area and Euro 331 billion for Italy, from Euro 2,113 and 430 billion respectively.

Deteriorating growth prospects, geopolitical instability, rising energy commodity prices and inflationary pressures expose financial stability in Italy and the Euro Area to increasing risks.

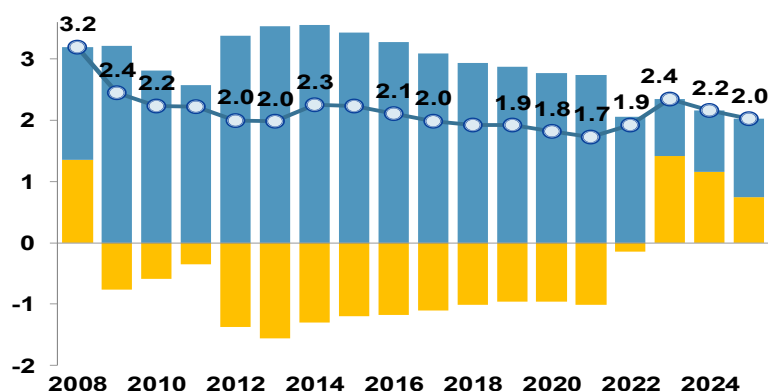
MARKET CONTEXT

The main indicators of the health of the Italian banking system remain positive overall. Credit quality remained good: in 2022, the proportion of impaired loans net of impairment was 1.5%.

Profitability is supported by the growth in interest margin and still particularly low loan impairment. With lending rates rising faster, higher market yields favour banks with traditional operations, which had seen their profitability decreased by low interest margins in recent years. In 2022, the spread between the rates applied by banks to new loans to households and businesses and the marginal cost of funding widened by almost one percentage point, to 2.2%.

The CET 1 ratio at the end of the third quarter of 2022 was 14.6%, remaining higher than the values recorded before the pandemic and only marginally lower than the average for EU countries.

In 2022, the spread between the rates applied by banks to new loans to households and businesses and the marginal cost of funding widened by almost one percentage point, to 2.2%.



OUR CORE BUSINESSES

Below is a description of the Bank's main core businesses.

RELATIONSHIP BANK

Cherry Bank, through its core business Relationship Bank provides credit services to companies, financing their growth with both short- and medium- to long-term solutions. The Bank, with a strong territorial presence historically rooted in the Veneto region, also caters for businesses throughout the country, taking advantage of flexibility and new technologies that have made the need for proximity to the customer a thing of the past, with an approach strongly focused on developing customer relations.

Companies with available funds are provided with sight or time-restricted deposit instruments to take advantage of positive returns.

The BU's strategy is to increase penetration levels on the target customer base of companies, especially SMEs, by leveraging an offer of tailor-made solutions and rapid decision-making processes, also through the possible implementation of strategies to expand its presence in contiguous territories.

The Bank maintains a high level of attention to credit controls, promoting an analytical approach to individual files through an accurate assessment of the creditworthiness of potential counterparties carried out by highly qualified professionals with in-depth knowledge of the customers served. In particular, the evaluation activity is entrusted to specialised organisational units separate from the development components and articulated in relation to the specificity of the products offered and the nature of the counterparty. The assessment units are also responsible for updating the creditworthiness assessment of entrusted counterparties at renewal and review, the frequency of which (at least annually) is defined primarily in relation to the type of product offered as well as the riskiness of the counterparty and the amount of the exposure.

This is followed by a careful monitoring activity, aimed at intercepting certain negative events (trigger events) at an early stage, which could represent signs of deterioration of positions.

Customer management activities are constantly monitored, also on the basis of reports resulting from monitoring activities. These activities are carried out by the branches supported, where appropriate, by the relevant management structures.

In addition to the above, the Bank is also active in indirect funding, offering investment solutions such as proprietary trading, order execution on behalf of customers, placement, order receipt and transmission and investment advice.



NPL INVESTMENT & MANAGEMENT

NPL Investment & Management (hereinafter also NPL I&M) is the Bank's Business Unit dedicated to the acquisition and management of non-performing loan portfolios (hereinafter also NPL).

Purchasing business

The investment target is represented by non-performing portfolios of unsecured original nature by both credit institutions and financial intermediaries as part of their lending or normal banking operations. Cherry Bank is active in both the primary and secondary/tertiary markets.

Given the complexity of the portfolios being acquired, a key role is played by the due diligence of the portfolios, which consists of information enrichment on the income and asset holdings of debtors and guarantors, analysis of documentation, generally on a sample of files made available by the transferors, and estimation of expected cash flows on individual positions, distinguishing them according to whether they are to be channelled for judicial or extrajudicial recovery.

Both in the due diligence phase and in the on-boarding phase, we also make use of analyses performed by fintech operators, which are able to return structured information on debtors/guarantors in "real time".

On-boarding business

After the purchase, the phase of collecting information preparatory to recovery begins. This activity enriches and completes the information provided by the transferor and is functional both to recovery activities and to the correct fulfilment of the reporting obligations to which the Bank is subject. The activity is initiated after the transfer contract has been finalised and consists of the four sub-phases described below:

- **activity of importing the data provided by the transferor:** this process is initiated downstream of the finalisation of the transfer contract by Cherry Bank and is functional to the reporting fulfilments to which the company is obliged and to provide the starting point for all on-boarding-related activities. The activity consists of the massive import of the database provided by the transferor into Cherry Bank's management system. The data are essentially related to the master data contained in the portfolio and the relationships transferred.
- **document acquisition:** this is the activity of material acquisition of the various files in order to make available to the company all the documents contained therein (e.g. contracts, account statements, letters of forfeiture of benefit of the term, general conditions) functional to the management of relations.
- **information enrichment activities:** starting from the enrichment activities already carried out during due diligence, the activity on the master data involved is completed, making the information set as up-to-date as possible by using the data obtained in the data import and document acquisition phases. The correct and complete performance of this activity enables the correct identification of the type of management to be undertaken.
- **sending communications:** represents the point of contact between assignment and management. It allows the debtor to be informed of the transfer and the data acquired to be further verified. Notifications shall be made by registered letter with return receipt or by such other means as will enable the sender to be notified of receipt by the addressee.

The above activities may also be carried out in parallel with each other. The document acquisition

and information enrichment activities can take the form of a true data remediation activity if the document digitalisation and database structure provided by the transferor do not conform to Cherry Bank's management and administrative requirements.

During on-boarding, receivables remain valued at acquisition cost, pending the obtaining of the information necessary to estimate future cash flows in line with the most suitable recovery method for the characteristics of each file.

Management

Once the on-boarding phase is over, the file management phase begins in the different modes of recovery, judicial and extrajudicial.

Cherry Bank's **operating strategy** for management is based on maximising and speeding up collections, through rapid and structured judicial and extrajudicial interventions on debtors in order to reduce recovery times. The architecture of the organisational unit proposed for this activity provides for an internal command point and the outsourcing of credit management and recovery activities to specialised market participants, with whom industrial and economic interests have been aligned.

The operating perimeter consists of the most referenced recovery companies under Article 115 TULPS and leading law firms specialising in debt collection. The internal structure governs the outsourced activities and information flows are exchanged on the Bank's management platform, which the partner structures have access to in order to view and update files.

The expected growth of the loan portfolio will entail a consistent expansion of partnerships with recovery companies and the organic growth of the subsidiary **Cherry Legal**, a company between lawyers, to improve the timeliness of legalisation of files.

Resale

Cherry Bank has adopted, until the end of the financial year 2022, a business model geared towards the purchase of non-performing loans, their transformation into "re-performing" loans (Assignment Order of one-fifth of salary/pension – ODA or paying plans), and their subsequent resale on the market.

"Re-performing" loans are defined as those loans on which the debtor has signed a repayment plan and is making regular payments, or those loans on which court action is pending to obtain a salary/pension garnishment, or a real estate execution with a high possibility of obtaining significant cash flows.

Market developments and the general macroeconomic context, as well as the quality of the positions managed (lower, as they were more derived from purchases on the secondary/tertiary market), suggested that preference should be given to credit recovery through out-of-court settlement agreements, rather than to recovery deferred over time and obtainable by cultivating legal actions.

These different strategies, of purchase and recovery, resulted in fewer "re-performing" positions being placed on the market than expected. Sales therefore remain mainly limited to "queues" that are no longer suitable for processing in the Bank's typical manner.

It therefore appears that the Bank's previously identified business model based on cash flow management as well as portfolio sales is no longer consistent.

Therefore, as of January 2023, the Bank has identified a new business model that is based instead on

the mere management of cash flows from recovery activities; as a result of the current activity, portfolio sales are reserved a marginal and residual role that does not justify considering the sale as an integral part of the Bank's business model.

Accounting model

Until the end of the financial year, Cherry Bank's business model remained a Hold to Collect and Sell ("HTC&S") model, as the operating strategy was to realise cash flows through both collection and sale.

For this business model, receivables are measured at amortised cost with the effects of changes in fair value recognised in equity at each reporting date, and therefore included in the statement of other comprehensive income ("FVTOCI").

Following the decision by the Board of Directors of the Bank, on 31 January 2023, to change the business model for the NPL Investment & Management Business Unit in relation to NPL, i.e., to adopt a Hold to Collect business model instead of Hold to Collect and Sell, the Bank proceeded to recognise the NPL portfolios acquired but which, at the date of the decision, had not yet passed the on-boarding phase, under Financial assets measured at amortised cost.

Please refer to as more fully described in the "Accounting Policies" section of the Notes to the Financial Statements regarding the classification, recognition and measurement of NPL.

GREEN EVOLUTION AND ADVISORY

The Green Evolution and Advisory segment includes both the development of the project to purchase and resell tax credits to qualified counterparties and the development of projects currently being studied related to the advisory service for the use of resources made available under the PNRR, as well as other opportunities that may emerge in the future related to the green economy.

With regard to operations on Tax Credits, Cherry Bank has three types of products, described below.

- **SuperB:** Cherry Bank, in partnership with Banco BPM (hereafter also "BBPM") and Teamsystem, created the fintech platform "SuperB" for BBPM customers, dedicated to the purchase of tax credits from Ecobonus, Superbonus and Sismabonus. Banco BPM – which already has the tools to finance its customers in the process of accruing tax credits for real estate redevelopment – is promoting the tax credit purchase product on behalf of Cherry Bank to its customers. The agreement with Banco BPM, which was signed on 3 November 2020 with the former Cherry 106, provides for a commitment by the bank to repurchase the tax credits from Cherry Bank in order to be able to use them in autonomous offsetting with the tax authorities. The purchase and sale of these credits is finalised digitally on the IT platform, the functionalities of which are made available to Banco BPM's customers and which allows the exchange of documents between the customer and Cherry Bank. The differential between the transfer price of the tax credits to BBPM and the purchase price is classified as commission income, representing the remuneration for the fronting activity carried out by Cherry Bank, while the fee for the use of the platform based on the volumes transacted is classified as commission expenses.
- **Cherry Credit:** direct operations on tax credits carried out by Cherry Bank through a dedicated platform for such operations launched as of June 2021 (former Cherry 106);

Cherry directly acquires tax credits from Companies and/or General Contractors operating in the construction sector that require fast turnaround times and an end-to-end service for the mobilisation of tax credits. The credits acquired by the Companies/General Contractors from Cherry are then redistributed to leading credit or insurance institutions under agreements that provide for reciprocal commitments and within the limits of pre-determined amounts. From an IFRS9 business model point of view, these transactions qualify as trading. Thus, the differential between the price of the tax credits and the purchase price is classified under Net trading result.

- **Unipol Agreement:** transactions involving the purchase from the companies reported by Unipol and the subsequent resale to Unipol of tax credits, governed by a synthetic securitisation contract, which provides that all risks and rewards arising from such credits are in the hands of the securitisation vehicle that also provides Cherry Bank with the liquidity necessary for the purchase activity. The contract provides for the payment of a servicing fee to Cherry Bank.

The activity described above is flanked, where the Bank deems it appropriate due to the timing or characteristics of the credits, by the purchase of credits to be used in offsetting with its tax capacity.

MAIN BALANCE SHEET AGGREGATES

(amounts in thousands of Euro)

KEY BALANCE SHEET FIGURES	31/12/2022	31/12/2021	Change	
			Absolute	%
Cash and cash equivalents	32,669	25,613	7,056	27.5%
Financial assets measured at FVTOCI	169,466	406,326	(236,860)	(58.3%)
Receivables from banks	6,219	6,879	(660)	(9.6%)
Receivables from customers	709,194	504,360	204,834	40.6%
Tangible and intangible assets	13,617	10,775	2,842	26.4%
Other asset items	157,166	52,900	104,266	197.1%
Total assets	1,088,331	1,006,853	81,478	8.1%
Payables to banks	317,176	247,761	69,415	28.0%
Payables to customers	670,119	695,157	(25,038)	(3.6%)
Other liability items	46,761	19,742	27,019	136.9%
Shareholders' Equity	54,275	44,193	10,082	22.8%
Total liabilities and shareholders' equity	1,088,331	1,006,853	81,478	8.1%

CASH AND CASH EQUIVALENTS

The item Cash and cash equivalents includes current accounts and sight deposits with banks and central banks (excluding the compulsory reserve) in the amount of Euro 32.7 million, compared to Euro 25.6 million at the end of the previous year, and refers to cash on hand held on interbank accounts (reciprocal or ordinary) used by the Bank for ordinary operations.

FINANCIAL ASSETS MEASURED AT FVTOCI

Financial assets measured at fair value through other comprehensive income include Securities owned mainly related to Government Securities amounting to Euro 127.9 million compared to Euro 361.2 million at the end of 2021, and NPL amounting to Euro 41.5 million compared to Euro 45.1 million at the end of 2021.

With reference to Government Securities, the decrease compared to the previous year is mainly due to the reclassification, on 1 January 2022, of fixed-rate government securities with a maturity of more than 24 months under Receivables from customers in the amount of Euro 121.9 million, following the change of business model from HTC&S to HTC. The related valuation reserve, before tax effect, amounted to negative Euro 0.9 million at year-end, compared to negative Euro 1.6 million at year-end 2021.

NPL refer to predominantly retail unsecured positions, acquired both in the primary market and in the secondary and tertiary markets, with a greater presence in the latter. The related valuation reserve before tax effect was a positive Euro 2.6 million at year-end.

It should be noted that on 31 January 2023, the Board of Directors of the Bank resolved on a change of business model for the NPL Investment & Management Business Unit in relation to NPL, i.e., to adopt a Hold to Collect business model instead of Hold to Collect and Sell; therefore, the Bank proceeded to recognise under Financial assets measured at amortised cost the NPL portfolios acquired during

the year but which, at the date of the decision, had not yet passed the on-boarding phase.

RECEIVABLES FROM BANKS

Receivables from banks amounted to Euro 6.2 million at 31 December 2022, compared to Euro 6.9 million at 31 December 2021 (-9.6%), and consisted of Euro 5.5 million for the compulsory reserve (Euro 5.5 million at the end of 2021) and the remainder for deposits with other credit institutions.

RECEIVABLES FROM CUSTOMERS

Technical forms	31/12/2022	31/12/2021	(amounts in thousands of Euro)	
			Change	
			Absolute	%
Current accounts	41,868	40,054	1,814	4.5%
Mortgages	325,835	329,275	(3,440)	(1%)
Other transactions	69,585	51,961	17,624	33.9%
Debt securities	209,857	42,862	166,995	389.6%
Total book value	645,566	464,152	182,993	39.4%
Impaired assets	62,048	40,208	21,840	54.3%
Total loans to customers	709,193	504,360	204,833	40.6%

Receivables from customers at the end of the year totalled Euro 709.2 million, compared to Euro 504.4 million at the end of the previous year (+40.6%).

The item includes government debt securities in the amount of Euro 209.8 million, up from Euro 42.9 million at the end of the previous year, partly due to the reclassification of Euro 123.5 million at amortised cost from Financial assets measured at FVTOCI to this item.

Net loans to companies (Relationship Bank) rose from Euro 461.5 million at 31 December 2021 to Euro 478.8 million at 31 December 2022 (+3.8%) thanks to the development action implemented by the Bank's commercial network.

The item also includes impaired loans acquired for Euro 20.5 million referring for Euro 0.8 million to the Special Situation Business Unit and for Euro 19.7 million to the NPL Investment & Management Business Unit; with reference to the latter, the Bank, following the decision to change the business model for the NPL Investment & Management Business Unit from Hold to Collect and Sell to Hold to Collect, proceeded to recognise under Financial assets measured at amortised cost the NPL portfolios acquired during the year but which, at the date of the decision, had not yet passed the on-boarding phase.

Details of credit quality referring only to company loans (Relationship Bank) are shown below.

NET RECEIVABLES FROM COMPANIES	31/12/2022	31/12/2021	(amounts in thousands of Euro)
			Change

			Absolute	%
Net non-performing	22,773	20,291	2,483	12.2%
Net probable defaults	18,050	16,419	1,631	9.9%
Net impaired past due exposures	707	3,498	(2,791)	(79.8%)
Total net impaired assets (stage 3)	41,530	40,208	1,323	3.3%
Net performing loans (stage 1 and 2)	437,289	421,291	15,998	3.8%
Total net receivables from companies	478,819	461,499	17,321	3.8%

Net impaired assets amounted to Euro 41.5 million at year-end, up slightly from Euro 40.2 million at the end of 2021 (+3.3%). Despite this dynamic, the net NPE ratio remained stable at 8.7%.

(amounts in thousands of Euro)

CREDIT QUALITY	NON-PERFORMING	PROBABLE DEFAULTS	PAST DUE EXPOSURES	TOTAL IMPAIRED (stage 3)	PERFORMING (STAGES 1 AND 2)	TOTAL
SITUATION AT 31.12.2022						
Gross amount	24,895	19,732	768	45,396	441,601	486,997
Impairment	(2,122)	(1,682)	(61)	(3,866)	(4,312)	(8,178)
Net amount	22,773	18,050	707	41,530	437,289	478,819
Coverage ratio	8.5%	8.5%	7.9%	8.5%	1.0%	1.7%
Gross ratio	5.1%	4.1%	0.2%	9.3%	90.7%	100.0%
Net ratio	4.8%	3.8%	0.1%	8.7%	91.3%	100.0%
SITUATION AT 31.12.2021						
Gross amount	21,030	16,872	3,918	41,820	425,223	467,043
Impairment	(740)	(453)	(420)	(1,613)	(3,932)	(5,545)
Net amount	20,290	16,419	3,498	40,207	421,291	461,498
Coverage ratio	3.5%	2.7%	10.7%	3.9%	0.9%	1.2%
Gross ratio	4.5%	3.6%	0.8%	9.0%	91.0%	100.0%
Net ratio	4.4%	3.6%	0.8%	8.7%	91.3%	100.0%

In order to provide a more meaningful representation, the same table was prepared by showing the gross amount and the impairment of the impaired assets without taking into account the effect of their re-recognition at fair value following the business combination, however in continuity of presentation with BTV's pre-merger financial statements, while also including the differential that emerged following the PPA in the impairment.

(amounts in thousands of Euro)

CREDIT QUALITY PRO-FORMA	NON-PERFORMING	PROBABLE DEFAULTS	PAST DUE EXPOSURES	TOTAL IMPAIRED (stage 3)	PERFORMING (STAGES 1 AND 2)	TOTAL
SITUATION AT 31.12.2022						
Gross amount	48,639	24,290	768	73,697	441,601	515,298
Impairment	(25,866)	(6,240)	(61)	(32,167)	(4,312)	(36,479)
Net amount	22,773	18,050	707	41,530	437,289	478,819
Coverage ratio	53.2%	25.7%	7.9%	43.6%	1.0%	7.1%
Gross ratio	9.4%	4.7%	0.1%	14.3%	85.7%	100.0%
Net ratio	4.8%	3.8%	0.1%	8.7%	91.3%	100.0%
SITUATION AT 31.12.2021						
Gross amount	52,887	28,250	3,918	85,055	425,223	510,278
Impairment	(32,597)	(11,831)	(420)	(44,848)	(3,932)	(48,780)
Net amount	20,290	16,419	3,498	40,207	421,291	461,498
Coverage ratio	61.6%	41.9%	10.7%	52.7%	0.9%	9.6%
Gross ratio	10.4%	5.5%	0.8%	16.7%	83.3%	100.0%
Net ratio	4.4%	3.6%	0.8%	8.7%	91.3%	100.0%

The coverage of impaired assets decreased compared to the previous year as a result of the accounting elimination of positions with higher coverage during the year. Therefore, the gross amounts of impaired assets also decreased compared to the previous year, and in particular: non-performing loans decreased by Euro 4.2 million, probable defaults decreased by Euro 4.0 million, and finally, past due exposures decreased by Euro 3.1 million.

TANGIBLE AND INTANGIBLE ASSETS

Tangible and intangible assets at the end of 2022 totalled Euro 13.6 million, compared to Euro 10.8 million at the end of the previous year. The increase is mainly attributable to new functional property leases and software purchases or development in 2022.

OTHER ASSET ITEMS

Other asset items increased from Euro 52.9 million at the end of 2021 to Euro 157.2 million at 31 December 2022, and included the following items: Investments of Euro 1 million, unchanged compared to the end of 2021, almost entirely referring to the investment in Cherry Srl, a start-up company active in the artificial intelligence sector; Financial assets measured at fair value through profit or loss of Euro 1.7 million compared to Euro 1.0 million in the previous year and mainly referring to UCITS fund units; Tax assets of Euro 7.3 million compared to Euro 6.8 million at the end of 2021, mainly referring to deferred tax assets; Other assets of Euro 147.3 million compared to Euro 44.1 million at the end of 2021. This last item, at 31 December 2022, consisted mainly of the following items:

- for Euro 24.0 million to tax credits in portfolio of which:
 - Euro 3.5 million acquired as part of the pending Cherry Credit resale operation;
 - Euro 5.9 million acquired as part of the pending Unipol resale operation;
 - Euro 14.6 million to tax credits in compensation.
- for Euro 98.9 million in receivables from transferee banks for tax credit resale finalised at the

end of December 2022 and not yet collected.

PAYABLES TO BANKS

Payables to banks amounted to Euro 317.2 million at 31 December 2022, compared to Euro 247.8 million at the end of the previous year, and can be broken down as follows:

- Euro 222.2 million to TLTROIII tranches subscribed by the Bank compared to Euro 247.8 million at the end of 2021 (-10.3%); the decrease relates to the early repayment of Euro 25 million of nominal value made by the Bank in December 2022 following careful consideration of the monetary policy decisions taken by the ECB as of November 2022, the forecast trend in the Bank's liquidity, the impact on liquidity indicators and the related economic impact. The remaining tranches in the portfolio are composed as follows: Euro 61.4 million nominal value maturing in September 2023, Euro 22.7 million nominal value maturing in March 2024 and, finally, Euro 140 million nominal value maturing in December 2024;
- Euro 80 million in short-term loans with the Bank of Italy;
- Euro 15.0 million in repurchase agreements with other credit institutions, the latter mainly in support of tax credit transactions.

PAYABLES TO CUSTOMERS

Customer funding	31/12/2022	31/12/2021	(amounts in thousands of Euro)	
			Change	
			Absolute	%
Current accounts and sight deposits	457,620	578,254	(120,634)	(20.9%)
Current accounts and term deposits	199,824	100,438	99,386	99.0%
Other loans	12,674	16,464	(3,790)	(23.0%)
Total payables to customers	670,118	695,156	(25,038)	(3.6%)

Customer funding amounted to Euro 670.1 million at 31 December 2022, down 3.6% from Euro 695.2 million at the end of the previous year. The decrease is attributable to the change in traditional funding, which also occurred as a result of initiatives to reduce their concentration. This decrease was partially offset by funding through the new online accounts in Italy as of March 2022 and in Germany as of October 2022, which at year-end amounted to Euro 53.2 million for Italy (of which Euro 50.5 million restricted), and Euro 22.0 million, all restricted, for Germany through the Raisin platform.

Indirect funding from customers

(amounts in thousands of Euro)

Indirect funding: breakdown	31/12/2022	%	31/12/2021	%	Change %
Administered indirect funding	14,164	22.83%	10,771	15.7%	31.5%
Managed indirect funding	47,890	77.17%	57,638	84.2%	(16.9%)
<i>of which Mutual Funds</i>	42,259	68.10%	50,563	73.9%	(16.4%)
<i>of which Third-party Asset Management</i>	-	-	-	-	n.s.
<i>of which Life Insurance</i>	5,631	9.07%	7,075	10.3%	(20.4%)
Total indirect funding	62,054	100.0%	68,408	100.0%	(9.3%)

Total indirect funding decreased by Euro 6.3 million due to the decrease in UCITS (Euro -8.3 million) and insurance (Euro -1.4 million) offset by the increase in administered indirect funding (Euro +3.4 million).

CAPITAL AND CAPITAL RATIOS

Shareholders' Equity

SHAREHOLDERS' EQUITY	31/12/2022	31/12/2021	(amounts in thousands of Euro)	
			Change	
			Absolute	%
Share capital	44,638	44,638	-	-
Share premiums	716	716	-	-
Reserves	(3,204)	(14,949)	11,745	78.6%
Valuation reserves	1,204	2,043	(839)	(41.1%)
- Securities	(587)	(1,057)	470	44.5%
- NPL	1,772	3,134	(1,362)	(43.5%)
- TFR	19	(34)	53	155.9%
Profit for the year	10,921	11,744	(823)	(7.0%)
Total Shareholders' Equity	54,275	44,193	10,082	22.8%

The change in Shareholders' Equity compared to the previous year is essentially attributable to the net profit for the year.

The table below shows the changes in Shareholders' Equity in the year 2022 described above, compared to the previous year.

SHAREHOLDERS' EQUITY	(amounts in thousands of Euro)	
	31/12/2022	31/12/2021
Opening balance	44,193	40,562
Increases:	11,444	24,159
Shareholders' Equity Cherry 106	-	8,491
PPA differential	-	2,638
NPL valuation reserve	-	1,286
Securities valuation reserve	470	-
TFR valuation reserve	53	-
Profit for the year	10,921	11,744
Decreases:	(1,362)	(20,528)
Securities valuation reserve	-	(1,846)
NPL valuation reserve	(1,362)	-
TFR valuation reserve	-	(4)
Sterilisation of Gain on bargain purchase	-	(18,678)
Loss for the year	-	-
Closing balance	54,275	44,193

Capital ratios

(amounts in thousands of Euro)

Capital and Ratios	31/12/2022	31/12/2021
Common Equity Tier 1 (CET 1) net of adjustments	52,914	44,517
Additional Tier 1 (AT1) net of adjustments	-	-
Tier 1 capital (Tier 1)	52,914	44,517
Tier 2 capital (Tier 2 – T2) net of adjustments	-	-
Total Capital	52,914	44,517

(amounts in thousands of Euro)

Risk-Weighted Assets	31/12/2022	31/12/2021
Risk-Weighted Assets	369,054	339,822
for credit risk	317,398	307,492
for credit risk adjustment	-	-
for market risk	-	-
for operational risk	51,656	32,330
Total Capital ratio	14.34%	13.10%
Tier 1 capital ratio	14.34%	13.10%

Below is the table comparing the Bank's actual capital requirements against the regulatory minimums set by the Bank of Italy for 2020, 2021 and 2022.

SREP thresholds	Regulatory minimum		SREP threshold with Buffer * OCR	SREP threshold with Capital Guidance	31/12/2022
	Threshold	with Add-on			
CET 1 capital ratio	4.50%	5.85%	8.35%	8.85%	14.34%
Tier 1 capital ratio	6.00%	7.80%	10.30%	10.80%	14.34%
Total Capital ratio	8.00%	10.45%	12.95%	13.45%	14.34%

(*) regulatory minimum including capital conservation buffer of 2.50%

MAIN ECONOMIC RESULTS

In order to provide a like-for-like comparison, the 2021 pro-forma income statement was used as the comparative period for the 2022 income statement, in which the income statement figures were obtained assuming that the combination of Cherry 106 and Banco delle Tre Venezie had taken place at the beginning of the financial year, sterilising the extraordinary effects deriving from the accounting of the PPA and eliminating the acquisition and integration costs of the two entities.

FORMATION OF THE RECLASSIFIED INTERMEDIATION MARGIN ¹

(amounts in thousands of Euro)

Formation of the Reclassified intermediation margin ¹	2022	2021 Pro-forma ²	2021	Changes 2022-2021 Pro-forma	
				Absolute	%
Interest margin	21,970	20,758	15,509	1,212	5.8%
Net commissions	9,380	5,109	3,566	4,271	83.6%
Net trading result	22,229	1,181	1,181	21,048	1782.2%
Gain on disposal of financial assets	695	2,787	2,787	(2,092)	(75.1%)
Other intermediation margin components	(118)	(3)	(4)	(115)	3833.3%
Intermediation margin	54,156	29,832	23,039	24,324	81.5%

¹ Net impairment/reversal of impairment on receivables related to NPL are reclassified under interest income in order to provide a representation consistent with the characteristics of the NPL business, which sees this component as an integral part of performance.

² The 2021 pro-forma income statement figures were obtained assuming that the combination of Cherry 106 and Banco delle Tre Venezie had taken place at the beginning of the year, sterilising the extraordinary effects deriving from the accounting of the PPA and eliminating the acquisition and integration costs of the two entities.

The **Reclassified intermediation margin** amounted to Euro 54.1 million at 31 December 2022, compared to Euro 29.8 million in the previous year (+81.5%). The increase is mainly attributable to the profitability contributed by the Green Evolution & Advisory BU related to Tax Credits, which amounted to Euro 26.3 million compared to Euro 3.8 million in the previous year.

In detail, the **Interest margin** went from Euro 20.8 million at 31 December 2021 to Euro 22.0 million at 31 December 2022, an increase of 5.8%. The trend is driven by the Euro 1.6 million reduction in interest expenses despite the increase in funding, thanks on the one hand, to the action to contain interest rates on the traditional channel carried out especially from the second half of 2021, and on the other hand, to the diversification of funding by also using the interbank channel. It should be noted, however, that during the third quarter of 2022, as a result of the rate increase ordered by the ECB, there was a change in the offer in both the traditional and digital channels.

Net commissions went from Euro 5.1 million in 2021 to Euro 9.4 million in 2022 (+83.6%); the increase is mainly attributable to mortgage fees of Euro 2.4 million and the contribution of the Tax Credits business. In particular, this item includes the "fronting" component carried out as part of the operations of the SuperB platform, amounting to a net Euro 4.3 million.

The **Net trading result** amounted to Euro 22.2 million in 2022, compared to Euro 1.2 million in the corresponding period of the previous year. This item refers almost entirely to the contribution from Cherry Credit's trading in tax credits.

The **gain on disposal of financial assets** amounted to Euro 0.7 million at the end of 2022, compared

to Euro 2.8 million at 31 December 2021. The figure for 2022 relates for Euro 0.2 million mainly to the sale of impaired positions in the legacy portfolio and for Euro 0.5 million to the sale of NPL portfolios during the period, while the figure for 2021 relates to the sale of government securities in the portfolio.

FORMATION OF THE NET RESULT FROM FINANCIAL OPERATIONS RECLASSIFIED

(amounts in thousands of Euro)

Formation of the Net result from financial operations reclassified ¹	2022	2021 Pro-forma ²	2021	Changes 2022-2021 Pro-forma	
				Absolute	%
Intermediation margin	54,156	29,832	23,039	24,324	81.5%
Net impairment/reversal of impairment for credit risk	(3,934)	(9,179)	(11,889)	5,245	(57.1%)
Net result from financial operations	50,222	20,652	11,150	29,570	143.2%

¹ Net impairment/reversal of impairment on receivables related to NPL are reclassified under interest income in order to provide a representation consistent with the characteristics of the NPL business, which sees this component as an integral part of performance.

² The 2021 pro-forma income statement figures were obtained assuming that the combination of Cherry 106 and Banco delle Tre Venezie had taken place at the beginning of the year, sterilising the extraordinary effects deriving from the accounting of the PPA and eliminating the acquisition and integration costs of the two entities.

The **Net result from financial operations** for the year 2022 amounted to Euro 50.2 million, an increase of 143.2% compared to the previous year.

The **Net impairment for credit risk** amounted to Euro 3.9 million in 2022, compared to Euro 9.2 million in the previous year (-57.1%). The major overhaul of the loan portfolio that took place in 2021, also as a result of the PPA process carried out during the business combination, as well as the controls implemented by the Bank during 2022 in the granting and monitoring of credit, led to a benefit in credit quality.

FORMATION OF PROFIT FOR THE YEAR

(amounts in thousands of Euro)

Formation of Profit for the year	2022	2021 Pro-forma ²	2021	Changes 2022-2021 Pro-forma	
				%	%
Net result from financial operations	50,222	20,652	11,150	29,570	143.2%
Personnel expenses	(17,049)	(10,947)	(8,413)	(6,102)	55.7%
Other administrative expenses	(20,094)	(9,889)	(9,667)	(10,205)	103.2%
Net allocations to provisions for risks and charges	320	94	94	226	240.4%
Net impairment/reversal of impairment of tangible and intangible assets	(1,742)	(1,031)	(772)	(711)	69.0%
Other operating expenses/income	947	739	19,381	208	28.1%
Operating costs	(37,618)	(21,035)	622	(16,583)	78.8%
Gains (Losses) on disposal of investments or shareholdings	12	(21)	(21)	33	(157.1%)
Gross profit	12,616	(404)	11,751	13,020	(3222.8%)
Income taxes	(1,695)	(352)	(7)	(1,343)	381.5%
Profit (Loss) for the year	10,921	(756)	11,744	11,677	(1544.6%)

² The 2021 pro-forma income statement figures were obtained assuming that the combination of Cherry 106 and Banco delle Tre Venezie had taken place at the beginning of the year, sterilising the extraordinary effects deriving from the accounting of the PPA and eliminating the acquisition and integration costs of the two entities.



Operating costs amounted to Euro 37.6 million at the end of 2022, compared to Euro 21.0 million in the previous year; the increase is a consequence of the significant growth in personnel during the year (+81 resources) and the organisational structuring process undertaken following the merger with Cherry 106.

In detail, **Personnel expenses** went from Euro 10.9 million in 2021 to Euro 17.0 million in 2022 (+55.7%), substantially in line with the growth in resources (156 at 31 December 2021 compared to 237 at 31 December 2022, +51.9%).

Other administrative expenses went from Euro 10.2 million at 31 December 2021 to Euro 20.1 million at 31 December 2022 (+103.2%), reflecting the major project undertaken by the Bank to strengthen organisational and control structures supported by adequate information systems. It should be noted that the item also includes due diligence and on-boarding costs related to NPL in the amount of Euro 1.6 million, as well as costs related to the checks performed on tax credits acquired in the amount of Euro 2.9 million.

Net impairment of tangible and intangible assets amounted to Euro 1.7 million in 2022 compared to Euro 1.0 million in 2021 (+69.0%) and mainly relate to the amortisation of rights of use of buildings and vehicles as well as the amortisation of proprietary software.

Other operating expenses/income amounted to Euro 0.9 million at 31 December 2022, compared to Euro 0.7 million at the end of the same period of the previous year, and include charge-backs of expenses to customers included in Other administrative expenses.

Gross profit for 2022 thus came to Euro 12.6 million, compared to a gross loss of Euro 0.4 million in 2021.

After tax, the **Net profit for the period** amounted to Euro 10.9 million, compared to a net loss of Euro 0.8 million in the previous year.

MAIN RISKS AND UNCERTAINTIES

The main risks and uncertainties to which the Bank is exposed, in view of its activities as well as its balance sheet and financial situation, are described in more detail in Part A and Part E of the Notes to the Financial Statements.

In this Report on Operations, in the paragraphs on the Macroeconomic scenario and the Market context, a description is also provided of the current particular context, which is marked, in particular, by the armed conflict between Russia and Ukraine. As regards the latter, the situation of uncertainty and the related risks are difficult to estimate; however, on the basis of the information currently available, the Bank does not consider there to be any particular critical elements for the Bank's economic-financial equilibrium as there are no exposures to customers located in the areas of conflict.

SIGNIFICANT EVENTS DURING THE YEAR

CHANGE OF COMPANY NAME: CHERRY BANK IS CREATED

On 17 February 2022, the Bank's Extraordinary Shareholders' Meeting approved certain amendments to the Articles of Association, including the change of the Bank's name to Cherry Bank S.p.A.

Alongside the new name, an extensive corporate identity restyling project was carried out, which saw, in particular, the launch of the new website and the development of a new brand name that, by merging the distinctive pictogram elements of Cherry 106 and Banco delle Tre Venezie, graphically expresses the union of the two entities in a new, fast-moving entity in terms of decision-making processes and customer response.

By resolution of the Board of Directors of 10 February 2022, the registered office and General Management were also transferred to the Net Center in Padua, Via San Marco 11, while the offices in Milan and Rome and all branches (Padua, Mestre-Venice, Treviso, Vicenza and Verona) remain operational.

NEW ONLINE CURRENT ACCOUNT

On 10 March 2022, the online current account reserved for private individuals over 18 years of age resident in Italy was launched on the market. The current account also has two provisioning solutions, both for amounts from a minimum of Euro 5,000 to a maximum of Euro 3,000,000: Cherry Box, free deposit, and Cherry restricted with seven different maturity and yield options. On 24 January 2023, the online offer was enriched with the possibility of opening the Cherry Recall, a restricted deposit account, with the possibility of requesting the early release of deposits with a 32-day notice period.

DEPOSIT FUNDING OPERATIONS THROUGH RAISIN

On 24 October 2022, following clearance from the Bank of Italy, Cherry Bank started its new cross-border deposit-funding operations from customers residing in Germany, through the German platform Raisin and the intermediation of Raisin Bank.

SUSTAINABILITY PLAN





On 5 December 2022, the Board of Directors of the Bank approved its 2023-2025 Sustainability Plan, which defines the sustainability commitments made in relation to each of the three main areas of commitment of its activity, “*Cherries*”, “*Cherry Planet*” and “*Cherry Core*”, with the aim of aligning its strategies with the Sustainable Development Goals (SDGs) and the Paris Agreement’s sustainability forecasts as well as in compliance with the Bank of Italy’s expectations of safe and prudent management of climate and environmental risks on both the governance and risk management sides. The Plan is part of the path already started by the Bank in 2022, which will lead also to the drafting of the first Sustainability Report.

SIGNIFICANT EVENTS AFTER YEAR-END

AUTHORISATION TO PROVIDE PORTFOLIO MANAGEMENT SERVICE

On 9 February 2023, the European Central Bank authorised Cherry Bank to provide the portfolio management service referred to in Art. 1(5)(d) of Legislative Decree No. 58/1998. At the same time, the Bank of Italy authorised the opening of a new branch in Ferrara where Cherry Bank provides funding, advisory and investment services.

2023-2025 STRATEGIC PLAN

On 14 February 2023, the Board of Directors, after assessment by the Board of Statutory Auditors, approved the new 2023-2025 Strategic Plan, a document that identifies the main strategic guidelines of the Bank as a whole, broken down by each individual Business Unit, with a focus on controlling regulatory capital and containing the NPE ratio in line with the average of less significant institutions. The Plan introduces three new Business Units: Wealth Management, which deals with the asset management of private individuals by providing customised investment strategies; Special Situation dedicated to restoring the financial equilibrium of companies in a reversible crisis situation in order to resume a path of growth and value creation; Alternative Investment specialising in the management of certain non-traditional asset classes for institutional and professional customers.

INTEGRATION OPERATION OF BANCA POPOLARE VALCONCA S.P.A. IN A.S. (UNDER EXTRAORDINARY ADMINISTRATION) – EXPRESSION OF INTEREST

On 14 February 2023, the Bank sent its expression of interest in relation to a possible partnership with Banca Popolare Valconca S.p.A. in Amministrazione Straordinaria (under Extraordinary Administration), a banking institution based in Morciano di Romagna (RN), which could represent an interesting development opportunity for the Bank.

BUSINESS OUTLOOK

The forecasts developed by the main macroeconomic analysis institutes indicate a still growing GDP for Italy in 2023, albeit at a substantially lower rate than in 2022; the same evolution is also expected for Europe, although not uniformly among the member countries.

The external context is still affected by multiple factors of uncertainty: financial markets and commodities, developments in the Russia-Ukraine conflict and the pandemic, fiscal and monetary policy. On the latter front, of particular impact for the evolution of the Bank's variables for 2023, expectations are for a determined response by the ECB with respect to the inflationary dynamics that characterised 2022 and continue to be present in 2023.

The lag that characterises the effect of an increase in market interest rates in relation to expectations of falling inflation is well known; this makes it particularly complex for monetary authorities to manage the dynamics of price changes. Expectations, however, are for a continuation of the rise in monetary policy interest rates to the 3.5/3.75% area for refinancing operations, particularly in the first part of the year. This continuation of rate growth should support the financial margin for more traditional banking activities; contain the price of impaired loan portfolios in which the Bank is interested; and make lending to companies, including those in turnaround, more selective, facilitating the Bank's presence. The rise in rates leads to a marked reduction, at the same time, in the price of tax credits from bonuses, which are expected to continue in 2023 and partly in 2024. The business model adopted also immunises the Bank from price fluctuations.

In general, in an overall low credit risk context, the economic situation of households and companies could start to be affected by the dynamics of interest rates and GDP.

The Bank's actions, in the second substantial year of the new management, will be characterised by a careful management of regulatory capital, which has now been brought back above the indications that the Bank has been asked to maintain by the Supervisory Authorities as a result of the SREP process, despite the increase required by the regulator to all less significant institutions; by maintaining levels suitable for liquidity strategies, reducing concentration and preferring more stable funding; and by a focus on risk-adjusted profitability of loans. Particular attention will be paid to the control of credit quality, which is still affected by the dynamics of the legacy portfolio but is markedly improving.

The Board of Directors has already approved the new 2023-2025 Strategic Plan, which concretises the above lines.

The Bank's actions will focus on the growth of its business areas. In addition to the areas that contributed to the achievement of results in 2022 (Relationship Bank, active in the north-eastern area; NPL, active in the investment and management of impaired loans; Green Evolution & Advisory on tax credits and ecobonus), there is the strengthening of Wealth Management, intended to offer territorial customers highly customised solutions free of conflicts of interest in asset management; Special Situation, active in supporting sustainable initiatives and companies with a financial situation to be monitored; Alternative Investments, intended to select projects to be financed with the contribution of resources from third-party investors. The Bank's action will also be characterised by the integration path dictated by the 2023-2025 Sustainability Plan, which implements a programme focused on three pillars: "Cherries", which aims to ensure the constant empowerment of people, with a focus on the health, safety and well-being of employees in the context of increased protection related to diversity and inclusion issues; "Cherry Planet", which includes environmental sustainability

initiatives with a focus on policies to support the environment to be implemented in harmony with the local area; and "Cherry Core", which aims at fostering responsibility and customer focus by offering safe, efficient and state-of-the-art products and services for responsible and proactive business in the social transition process.

Cherry Bank, aware of the skills it is capable of expressing, also remains open to evaluating growth along external lines, wherever it can generate value for the Bank and its Shareholders, in a context of attention to best practices and risk control.

Against this backdrop, the expectations for the current financial year are positive; the awareness of the need to strengthen the Bank's regulatory capital and, in general, the Bank's perimeter precludes the distribution of dividends until this strengthening is completed; nevertheless, the vigorous growth and development are elements that are hoped to be welcomed.

OTHER INFORMATION

SHARE COMPOSITION

At 31 December 2022, the Bank's share capital amounted to Euro 44,638,000 divided into 91,097,945 shares with no nominal value, held by 139 shareholders.

The main shareholders of the Company holding voting capital at 31 December 2022 are listed below.

Shareholder	No. Shares	Share Capital (%)
Bossi Giovanni	45,068,915	49.5%
Novo Banco S.A.	8,926,000	9.8%
Credito Emiliano S.p.A.	4,439,000	4.9%
Other Shareholders	32,664,030	35.8%
Total	91,097,945	100.0%

TRANSACTIONS ON TREASURY SHARES

The Bank has not held and does not hold in its portfolio, directly or indirectly, any of its own units or treasury shares, or units or shares in parent companies.

CORPORATE GOVERNANCE

Within the three alternative systems of governance, the Bank has chosen and confirmed over time the traditional one, i.e. ordinary, system with the Board of Directors performing the strategic supervision function, the CEO performing the management function and the Board of Statutory Auditors performing the control function.

The Board of Directors and the Board of Statutory Auditors are appointed by the Shareholders' Meeting. Among the Bodies, the Control, Risk and Sustainability Committee (which performs support functions to the body with strategy supervision function in the area of risks and the internal control system), as well as the Supervisory and Control Body pursuant to Legislative Decree No. 231/2001, were established.



As part of the internal control system, the Bank identifies the following functions within the levels provided for by the supervisory regulations in force:

- First-level or line controls, aimed at ensuring the proper conduct of operations, carried out by the production facilities themselves or incorporated into procedures, performed as part of back office activities;
- Second-level controls, carried out by the Risk Management Function and the Compliance and Anti-Money Laundering Function;
- Third-level controls, carried out by the Internal Audit Function.

The heads of the second and third-level control functions are placed directly under the Board of Directors. They have direct access to the Board of statutory Auditors and communicate with it without restriction or intermediation.

TRANSACTIONS WITH RELATED PARTIES

Please refer to Part H of the Notes to the Financial Statements for information on transactions conducted with related parties during the year.

ATYPICAL OR UNUSUAL TRANSACTIONS

No atypical or unusual transactions took place during the year.

RESEARCH AND DEVELOPMENT ACTIVITIES

The Bank did not carry out any research and development activities during the year.

PROPOSAL FOR ALLOCATION OF THE YEAR'S RESULT



Shareholders,

We submit for your approval the 2022 Financial Statements and the proposed allocation of the Net profit for the year.

We propose to allocate the Net profit for the year of Euro 10,921,056 as follows:

- to Legal reserve for Euro 546,052.80
- to Statutory reserve for Euro 1,092,105.6
- to Extraordinary reserve for the residual

Padua, 13 March 2023

For the Board of Directors

The Chief Executive Officer
Giovanni Bossi



Statements

Balance Sheet

Income Statement

Statement of Other Comprehensive Income

Statement of changes in equity at 31.12.2022

Statement of changes in equity at 31.12.2021

Statement of Cash Flows

BALANCE SHEET

(amounts in Euro units)

ASSET ITEMS	31/12/2022	31/12/2021
10. Cash and cash equivalents	32,669,285	25,612,813
20. Financial assets measured at fair value through profit or loss	1,653,174	1,014,845
a) financial assets held for trading	356,278	-
c) other financial assets obligatorily measured at FV	1,296,896	1,014,845
30. Financial assets measured at fair value through other comprehensive income	169,466,096	406,325,505
40. Financial assets measured at amortised cost	715,412,741	511,238,746
a) receivables from banks	6,218,802	6,878,683
b) receivables from customers	709,193,939	504,360,062
70. Investments	1,000,100	1,000,100
80. Tangible assets	11,206,354	9,473,151
90. Intangible assets	2,410,317	1,302,045
of which goodwill	-	-
100. Tax assets	7,259,902	6,783,752
a) current	1,696,281	1,002,423
b) deferred tax assets	5,563,621	5,781,328
120. Other assets	147,252,614	44,101,724
TOTAL ASSETS	1,088,330,583	1,006,852,679

(amounts in Euro units)

LIABILITY AND EQUITY ITEMS	31/12/2022	31/12/2021
10. Financial liabilities measured at amortised cost	987,294,736	943,317,181
a) payables to banks	317,175,991	247,760,618
b) payables to customers	670,118,745	695,156,562
c) securities issued	-	400,000
20. Financial liabilities held for trading	290,744	63,838
60. Tax liabilities	3,324,001	2,118,992
a) current	1,007,222	224,890
b) deferred	2,316,779	1,894,102
80. Other liabilities	42,424,292	16,058,123
90. Employee severance indemnity (TFR)	350,354	337,871
100. Provisions for risks and charges	371,392	763,613
a) commitments and guarantees given	363,392	674,873
c) other provisions	8,000	88,739
110. Valuation reserves	1,204,337	2,043,390
140. Reserves	(3,204,335)	(14,948,752)
150. Share premiums	716,006	716,006
160. Capital	44,638,000	44,638,000
180. Profit (Loss) for the year	10,921,056	11,744,417
TOTAL LIABILITIES AND EQUITY	1,088,330,583	1,006,852,679

INCOME STATEMENT

(amounts in Euro units)

	31/12/2022	31/12/2021
10. Interest and similar income	21,962,363	18,683,487
20. Interest and similar expense	(4,425,225)	(5,139,311)
30. Interest margin	17,537,138	13,544,176
40. Commission income	16,418,160	6,107,290
50. Commission expenses	(7,038,507)	(2,541,666)
60. Net commissions	9,379,653	3,565,625
70. Dividends and similar income	764	327
80. Net trading result	22,229,140	1,181,002
100. Gains (Losses) on disposal or repurchase of	695,236	2,786,884
a) financial assets measured at amortised cost	184,552	201,035
b) financial assets measured at fair value through other comprehensive income	510,684	2,585,849
110. Net result of other financial assets and liabilities measured at fair value through profit or loss	(118,731)	(3,625)
b) other financial assets obligatorily measured at FV	(118,731)	(3,625)
120. Intermediation margin	49,723,200	21,074,389
130. Net impairment/reversal of impairment of:	498,353	(9,924,346)
a) financial assets measured at amortised cost	(3,976,468)	(11,870,708)
b) financial assets measured at fair value through other comprehensive income	4,474,821	1,946,362
150. Net result from financial operations	50,221,553	11,150,043
160. Administrative expenses	(37,143,234)	(18,080,616)
a) personnel expenses	(17,049,078)	(8,413,199)
b) other administrative expenses	(20,094,156)	(9,667,417)
170. Net allocations to provisions for risks and charges	320,283	93,524
180. Net impairment/reversal of impairment of tangible assets	(1,105,262)	(647,529)
190. Net impairment/reversal of impairment of intangible assets	(636,703)	(124,398)
200. Other operating expenses/income	947,292	19,380,824
210. Operating costs	(37,617,624)	621,804
220. Gains (Losses) on investments	-	(20,000)
250. Gains (Losses) on disposal of investments	12,279	(594)
260. Gains (Losses) on continuing operations, gross of taxes	12,616,208	11,751,253
270. Income tax for the year on continuing operations	(1,695,152)	(6,836)
280. Gains (Losses) on continuing operations net of taxes	10,921,056	11,744,417
300. Profit (Loss) for the year	10,921,056	11,744,417

STATEMENT OF OTHER COMPREHENSIVE INCOME

(amounts in Euro units)

	31/12/2022	31/12/2021
10. Profit (Loss) for the year	10,921,056	11,744,417
Other income components net of taxes, without reversal to the income statement	53,897	(34,351)
70. Defined benefit plans	53,897	(34,351)
Other income components net of taxes, with reversal to the income statement	(892,950)	1,288,202
140. Financial assets (other than capital securities) measured at fair value through other comprehensive income	(892,950)	1,288,202
170. Total other income components net of taxes	(839,053)	1,253,851
180. Other comprehensive income (items 10+170)	10,082,003	12,998,269



STATEMENT OF CHANGES IN EQUITY AT 31.12.2022

(amounts in Euro units)

(amounts in Euro units)

Items	Balance at 31.12.2021	Change opening balance	Balance at 1.1.2022	Allocation of period result		Changes in reserves	Changes in the year							Shareholders Equity at 31.12.2022
				Reserves	Dividends and other allocations		Equity transactions						Other comprehensive income 31.12.2022	
							Issue of new shares	Purchase of treasury shares	Extraord. distribution of dividends	Changes in capital instruments	Derivatives on treasury shares	Stock options		
Share capital	44,638,000	-	44,638,000	-	-	-	-	-	-	-	-	-	-	44,638,000
a) ordinary shares	44,638,000	-	44,638,000	-	-	-	-	-	-	-	-	-	-	44,638,000
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium	716,007	-	716,007	-	-	-	-	-	-	-	-	-	-	716,007
Reserves:	(14,948,752)	-	(14,948,752)	11,744,417	-	-	-	-	-	-	-	-	-	(3,204,335)
a) of profits	(14,948,752)	-	(14,948,752)	11,744,417	-	-	-	-	-	-	-	-	-	(3,204,335)
b) other reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Valuation reserves	2,043,390	-	2,043,390	-	-	-	-	-	-	-	-	-	(839,053)	1,204,337
Capital instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit (Loss) for the year	11,744,417	-	11,744,417	(11,744,417)	-	-	-	-	-	-	-	-	10,921,056	10,921,056
Shareholders' Equity	44,193,062	-	44,193,062	-	-	-	-	-	-	-	-	-	10,082,003	54,275,065



STATEMENT OF CHANGES IN EQUITY AT 31.12.2021

(amounts in Euro units)

Items	Balance at 31.12.2020	Change opening balance	Balance at 1.1.2021	Allocation of period result		Changes in reserves	Changes in the year							Shareholders' Equity at 31.12.2021
							Equity transactions						Other comprehensive income 31.12.2021	
				Reserves	Dividends and other allocations		Issue of new shares	Purchase of treasury shares	Extraord. distribution of dividends	Changes in capital instruments	Derivatives on treasury shares	Stock options		
Share capital	44,638,000	-	44,638,000	-	-	-	-	-	-	-	-	-	-	44,638,000
a) ordinary shares	44,638,000	-	44,638,000	-	-	-	-	-	-	-	-	-	-	44,638,000
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium	715,614		715,614	-	-	393	-	-	-	-	-	-	-	716,007
Reserves:	51,388		51,388	(5,632,550)	-	(9,367,590)	-	-	-	-	-	-	-	(14,948,752)
a) of profits	51,388	-	51,388	(5,632,550)		(9,367,590) ¹	-	-	-	-	-	-	-	(14,948,752)
b) other reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Valuation reserves	789,539		789,539	-	-	-	-	-	-	-	-	-	1,253,851	2,043,390
Capital instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit (Loss) for the year	(5,632,550)	-	(5,632,550)	5,632,550	-	-	-	-	-	-	-	-	11,744,417	11,744,417
Shareholders' Equity	40,561,991	-	40,561,991	-	-	(9,367,197)	-	-	-	-	-	-	12,998,269	44,193,062

¹The change in reserves consists of Cherry 106 capital at the date of merger in the amount of Euro 6.8 million, negative reserve for sterilisation gain on bargain purchase in the amount of Euro 18.7 million, and positive PPA differential in the amount of Euro 2.7 million.

CASH FLOW STATEMENT (INDIRECT METHOD)

(amounts in Euro units)

	31/12/2022	31/12/2021
1. Operations	11,805,279	(7,693,624)
- profit (loss) for the period (+/-)	10,921,056	11,744,417
- gains/losses on financial assets held for trading and on other assets/liabilities measured at fair value through profit or loss (-/+)	270,522	76,373
- gains/losses on hedging activities (-/+)	-	-
- net impairment/reversal of impairment for credit risk (+/-)	123,961	(9,924,346)
- net impairment/reversal of impairment for tangible and intangible assets (+/-)	(1,741,965)	(771,928)
- net allocations to provisions for risks and charges and other costs/revenues (+/-)	320,283	93,524
- net premiums not collected (-)	-	-
- other insurance income/charges not collected (-/+)	-	-
- unpaid taxes, duties and tax credits (+/-)	1,000,039	455,925
- net impairment/reversal of impairment of discontinued operations, net of tax effect (-/+)	-	-
- other adjustments (+/-)	911,383	(9,367,590)
2. Liquidity generated/absorbed by financial assets	(73,519,906)	(131,162,118)
- financial assets held for trading	(745,531)	(79,998)
- financial assets designated at fair value	-	-
- other assets obligatorily measured at FV	(163,320)	(175,307)
- financial assets measured at FV through other comprehensive income	73,666,535	(135,409,212)
- financial assets measured at amortised cost:	(42,855,519)	33,333,044
- other assets	(103,422,071)	(28,830,643)
3. Liquidity generated/absorbed by financial liabilities	69,870,609	143,995,100
- liabilities measured at amortised cost:	43,977,555	141,354,296
- financial liabilities held for trading	226,906	(41,524)
- financial liabilities designated at fair value	-	-
- other liabilities	25,666,148	2,642,328
Net liquidity generated/absorbed by operations	8,155,982	5,099,359
B. INVESTMENTS		
1. Liquidity generated by	2,074	15,000
- sales of investments	-	-
- dividends collected on investments	-	-
- sales/redemptions of financial assets held to maturity	-	-
- sales of tangible assets	2,074	15,000
- sales of intangible assets	-	-
- sales of business units	-	-
2. Liquidity absorbed by	(1,101,584)	(8,233,043)
- purchases of investments	-	(1,000,100)
- purchases of tangible assets	(630,015)	(6,302,977)
- purchases of intangible assets	(471,569)	(929,966)
- purchases of business units	-	-
Net liquidity generated/absorbed by investments	(1,099,510)	(8,218,043)
C. FINANCING		
- issues/purchases of treasury shares	-	393
- issues/purchases of equity instruments	-	-
- convertendo bond issues	-	-
- dividend distribution and other purposes	-	-
Net liquidity generated/absorbed by financing	-	393
NET LIQUIDITY GENERATED/ABSORBED DURING THE YEAR	7,056,472	(3,118,291)
Financial statement items	31/12/2022	31/12/2021
Cash and cash equivalents at the beginning of the year	25,612,813	28,731,104
Total net liquidity generated/absorbed during the year	7,056,472	(3,118,291)
Cash and cash equivalents at the end of the year	32,669,285	25,612,813



Notes to the Financial Statements

Introduction

Part A – Accounting Policies

Part B – Information on the Balance Sheet

Part C – Information on the Income Statement

Part D – Other Comprehensive Income

Part E – Information on risks and related hedging policies

Part F – Information on Equity

Part G – Business combinations involving companies or Business Units

Part H – Transactions with related parties

Part I – Equity-settled share-based payment agreements

Part L – Sector reporting

Part M – Lease disclosure

INTRODUCTION

The Financial Statements are drawn up in Euro units, with the exception of the tables in the Notes to the Financial Statements, which are drawn up in thousands of Euro, except where otherwise indicated.

These Financial Statements comprise the Balance Sheet, the Income Statement, the statement of Other Comprehensive Income, the Statement of Changes in Equity, the Cash Flow Statement, the Notes to the Financial Statements and the related comparative information. They are also accompanied by a Report on Operations during the year. They are prepared in accordance with the provisions set forth in Circular No. 262 of 22 December 2005 "Banks' Financial Statements: formats and compilation rules" published in Official Journal No. 11 of 14 January 2006 and subsequent additions and updates. The eighth update, issued on 17 November 2022, is currently in force. The Circular contains the administrative provisions issued by the Bank of Italy pursuant to Article 43 of Legislative Decree No. 136/15, which regulate, in accordance with IAS/IFRS, the format of the Financial Statements and Notes.

Intermediaries are required to provide the information required by IAS/IFRS not referred to in these provisions in the Notes to the Financial Statements, in compliance with those standards.

The Notes to the Financial Statements are divided into the following parts:

- 1) Part A – Accounting Policies;
- 2) Part B – Information on the Balance Sheet;
- 3) Part C – Information on the Income Statement;
- 4) Part D – Other Comprehensive Income;
- 5) Part E – Information on risks and related hedging policies;
- 6) Part F – Information on Equity;
- 7) Part G – Business combinations involving companies or Business Units;
- 8) Part H – Transactions with related parties;
- 9) Part I – Equity-settled share-based payment agreements;
- 10) Part L – Sector reporting;
- 11) Part M – Lease disclosure.

Each part of the Notes is divided into sections, each illustrating a single aspect of company operations.

The sections contain both qualitative and quantitative information.

Quantitative information usually consists of items and tables. Sections and tables that have no amounts or are not applicable to the business reality are not presented.

For each disclosure in Parts A, B, C, D, reference should be made to the corresponding items in the Balance Sheet, Income Statement, Other Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement.

PART A – ACCOUNTING POLICIES

A 1 – GENERAL PART

Section 1. Declaration of compliance with international accounting standards

The Financial Statements at 31 December 2022 of Cherry Bank, a joint-stock company, pursuant to Art. 4 of Legislative Decree No. 38 of 28 February 2005, are prepared in accordance with the accounting standards issued by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and endorsed by the European Commission, as set forth in EU Regulation No. 1606 of 19 July 2002.

The accounting standards adopted for the preparation of the 2022 Financial Statements, with reference to the classification, recognition, measurement and derecognition of the various asset and liability items, as well as for the methods of recognising revenues and costs, remained unchanged with respect to the 2021 Financial Statements with the exception of the changes made following the entry into force, as of 1 January 2022, of the new standards detailed below.

Document title	Date of approval	Entry into force	EU Regulation
Amendment to: IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; Annual Improvements 2018-2020	28/06/2021	01/01/2022	No.1080/2021

As shown in the table, the provisions of Regulation (EU) No. 1080/2021 of 28 June 2021, which transposes certain minor amendments, published by the IASB on 14 May 2020, to International Accounting Standards IAS 16 Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets, and IFRS 3 Business Combinations, apply from 1 January 2022.

The amendments concern:

- IAS 16 – Cost Components: the amendments, which are not of interest to the Bank, introduce a prohibition on deducting from the cost of property, plant and equipment the amounts received from the sale of items produced while the company was preparing the asset for its intended purpose. The company must recognise these sales proceeds and related costs in the income statement;
- IAS 37 – Onerous Contracts: it is clarified that in order to assess whether a contract is onerous, it is necessary to include in the estimate all costs directly related to the contract and not only the incremental costs necessary to perform the contract. Accordingly, the assessment of whether a contract is onerous includes incremental costs (e.g. the cost of direct material used in processing), but also all costs that the company cannot avoid as a result of entering into the contract (e.g. the share of personnel costs and depreciation of machinery used in the performance of the contract);
- IFRS 3 – References to the Conceptual Framework: a number of references to the new 2018 version of the Conceptual Framework have been updated, which, however, do not entail any changes to the pre-existing accounting methods. Furthermore, the prohibition to recognise contingent assets (i.e. those assets whose existence will only be confirmed by uncertain future events) in business combinations is made explicit (previously this prohibition

was only explicitly stated in the Basis for Conclusions).

This Regulation also incorporates the usual annual improvements – Annual Improvements Cycle to IFRS 2018-2020 –, which clarify the wording or correct errors, oversights or conflicts between the requirements of the standards. Amongst these minor amendments are changes to IFRS 9 – Financial Instruments, with some clarifications concerning the fees to be included in the 10% test for the derecognition of financial liabilities; in this regard, it is specified that only fees paid or received between parties should be included, and not also fees directly attributable to third parties.

It should be noted that the Regulation introduces some minor amendments and clarifications which, therefore, do not have a significant impact on the Bank.

With respect to the new standards or changes to existing standards, no significant impact on the situation at 31 December 2022 was identified.

The table below, on the other hand, shows the new international accounting standards and amendments to accounting standards already in force, with the relevant Endorsement Regulations by the European Commission, whose compulsory application will start on 1 January 2023 – in the case of financial statements coinciding with the calendar year – or on a later date, and in respect of which the Bank has not made use of early application.

Document title	Date of approval	Entry into force	EU Regulation
IFRS 17 – Insurance Contracts (issued on 18 May 2017); including Amendments to IFRS 17 (issued on 25 June 2020)	19/11/2021	01/01/2023	No. 2036/2021
IAS 1 – Presentation of Financial Statements; IAS 8 – Accounting Policies, Changes in Accounting Estimates	02/03/2022	01/01/2023	No. 357/2022
IAS 12 – Income tax; IFRS 1 – First-time Adoptions IFRS	11/08/2022	01/01/2023	No. 1392/2022
IFRS 17 – Insurance Contracts	08/09/2022	01/01/2023	No. 1491/2022

Regulation No. 357/2022 of 2 March 2022 – Amendments to IAS 1 – Presentation of Financial Statements, and IAS 8 – Accounting Policies, changes in accounting estimates and errors

Regulation No. 357/2022 of 2 March 2022 adopts certain minor amendments and further clarifications aimed at helping entities decide what information on accounting standards should be disclosed (amendments to IAS 1) and to distinguish between accounting standards and estimates (amendments to IAS 8); it is therefore not expected to have a significant impact on the Bank, although it may be a useful reference for analysis and to improve financial statement disclosures.

More specifically, the Regulation introduces amendments to the following accounting principles:

- IAS 1 – Presentation of Financial Statements

These are limited changes (so-called “narrow scope amendments”) to IAS 1 – Presentation of Financial Statements and IFRS Practice Statement 2 “Making Materiality Judgements” that provide some guidance to help companies decide what accounting standard information (accounting policy) should be disclosed and thus improve disclosure to make it more useful to investors and other primary users of financial statements. The amendments to IAS 1 require companies to disclose

information on “material” accounting standards, replacing the former “significant”, a wording that is not defined in IFRS and could therefore have been not very clear. Information on accounting policies is material if, taken together with other information in the financial statements, it is reasonable to expect that it will influence the decisions of the primary users of the financial statements. In other words, information on accounting policies is material if it enables an understanding of the information reported in the financial statements on material transactions. On the other hand, it is not necessary to disclose accounting policies concerning immaterial transactions or events and, in any case, this information should not obscure material information.

In any case, entity-specific information is more useful than standardised information or information that merely reproduces or summarises the provisions of IFRS.

- IAS 8 – Accounting Policies, changes in accounting estimates and errors

The amendments to IAS 8 are intended to provide further clarification to distinguish changes in accounting policies from changes in accounting estimates. This distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other events, whereas changes in accounting policies are generally applied retroactively to past transactions and other events.

However, in the past, difficulties had arisen on the part of entities in distinguishing the two cases on the basis of the guidance in IAS 8.

In this regard, the definition of accounting estimate, previously not provided for, was added – “accounting estimates are monetary amounts in the financial statements subject to valuation uncertainty” – and other amendments were introduced to provide further clarification. It should be noted that an entity may have to revise an accounting estimate if there are changes in the circumstances on which the estimate was based or as a result of new information, new developments or increased experience. By its nature, a change in an estimate is not related to prior periods and is not the correction of an error; it may only affect the economic result of the current or future periods (e.g. due to a change in the estimated useful life of a depreciable asset).

Error corrections differ from changes in accounting estimates: accounting estimates, by their nature, are approximations that need to be changed if additional information becomes known. For example, the profit or loss recognised following the resolution of an uncertain event does not represent the correction of an error.

With reference to the endorsement regulations transposing amendments to existing accounting standards or new IAS/IFRSs, it should be noted that Regulation No. 2036/2021 of 19 November 2021 endorsing the new accounting standard IFRS 17 “Insurance Contracts” and the subsequent Regulation No. 1491/2022 of 8 September 2022 adopting the amendments to IFRS 17 – First-time application of IFRS 17 and IFRS 9 – Comparative Information, as well as Regulation No. 1392/2022 of 11 August 2022 “Amendments to IAS 12 – Income Taxes” are not expected to have an impact on the Bank.

The following table shows new international accounting standards or amendments to existing accounting standards that have not yet been endorsed by the European Commission.

Document title	Date of publication
IAS 1 – Amendments to IAS 1 – Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	23/01/2020
IAS 1 – Amendments to IAS 1 – Presentation of Financial Statements: Classification of Liabilities as Current or Non-current – Deferral of Effective Date	15/07/2020
IAS 1 – Amendments to IAS 1 – Presentation of Financial Statements: Non-current Liabilities with Covenants	31/10/2022
IFRS16 – Amendments to IFRS 16 – Leases: Lease Liability in a Sale and Leaseback	22/09/2022

With regard to IASB documents that amend existing and pending accounting standards, the following should be noted:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-Current”

Published on 23 January 2020 with the aim of proposing some limited amendments to IAS 1 “Presentation of Financial Statements” in order to clarify how to classify payables and other liabilities between current and non-current. This proposal clarifies – without changing – the current requirements of IAS 1; the clarifications are intended to promote consistency in the application of IAS 1 among companies in determining whether, in the statement of financial position, payables and other liabilities with an uncertain settlement date should be classified as current (due or potentially due within one year) or non-current. The subsequent publication of 15 July 2020 postponed the effective date of the amendments by one year, to 1 January 2023 instead of 2022, without introducing any further amendments.

- Amendments to IAS 1 “Non-current Liabilities with Covenants”

On 31 October, the IASB published a further limited amendment to IAS 1 “Presentation of Financial Statements” that aims to improve the information provided by companies on liabilities with covenants and the classification of these liabilities as current or non-current. The IASB expects that the changes will improve the information provided by companies, enabling investors to understand the risk that such liabilities may have to be repaid early.

IAS 1 requires a company to classify a liability as non-current only if the company can avoid settling the debt in the 12 months following the reporting date. However, a company's ability to do so is often subject to compliance with covenants. For example, a company might have long-term debt that could become repayable within 12 months if the company does not meet a covenant (e.g. a working capital ratio) in the next 12 months.

The amendments to IAS 1 specify that covenants to be met after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Conversely, the company is required to provide information on these covenants in the Notes to the Financial Statements.

The amendments are effective for financial years beginning on 1 January 2024, with early adoption permitted, subject to approval by the European Commission.

In view of the content of the above amendments, which are of little relevance to the financial sector, as well as by virtue of the obligation to apply the formats set forth in Bank of Italy Circular No. 262/05, the limited proposed amendments to IAS 1 are not particularly relevant to the Bank.

- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

With the publication on 22 September 2022 of the Narrow-scope Amendments “Lease Liability in a Sale and Leaseback”, the IASB introduces some limited amendments to IFRS 16 concerning the

accounting of only sale and leaseback transactions by the lessee-seller. Sale and leaseback transactions are transactions whereby a company sells an asset and subsequently leases back the same asset from the new owner. In this context, those transactions are analysed in which the transfer of the asset meets the requirements under IFRS 15 to be accounted for as a sale of the asset.

This amendment had been prompted by the IFRIC, which had found a gap in the rules on how to recognise right-of-use and leaseback liabilities in sale and leaseback transactions where there are variable lease payments that do not depend on an index or rate, e.g. based on a percentage of the lessee-seller's sales generated by the use of the asset.

In this regard, the amendments make some clarifications and leave it to the individual entities to define an accounting policy for how the liability arising from the leaseback should be measured.

The amendments will be mandatorily applicable as of 1 January 2024 – subject to endorsement by the European Commission and with the possibility of early application – with retrospective application to sale and leaseback transactions entered into after the date of first-time application of IFRS 16.

In this regard, it should be noted that the Bank has not entered into any sale and leaseback transactions.

Section 2. General drafting principles

When preparing the financial statements, certain guidelines are followed, which are set out below.

Comparative information

In accordance with International Accounting Standard IAS 1 "Presentation of Financial Statements", comparative information for the previous year is provided.

The classification used for the financial statements items is the same as that used in the previous year.

Content of statements

Balance Sheet and Income Statement

The Balance Sheet and Income Statement consist of items and sub-items. Non-valued items for the current and previous years are not shown in the tables.

In the Income Statement, revenues are indicated without a sign while costs are enclosed in round brackets.

Statements of Changes in Equity

The Statement of Changes in Equity reflects the provisions of Bank of Italy Circular No. 262/2005 and shows the composition of and changes in Equity items during the financial year covered by the financial statements and the previous year.

Statement of Cash Flows

The Statement of Cash Flows for the reporting year was prepared using the indirect method and shows the net liquidity generated by operations, investments and financing.

In the table, flows generated during the year are indicated without a sign, while those absorbed are enclosed in round brackets.

Statement of Other Comprehensive Income

The statement of Other Comprehensive Income shows the profit/loss for the year and the changes in assets recognised during the year against valuation reserves.

Documents interpreting and supporting the application of accounting standards in relation to impacts from COVID-19

The spread of the Covid-19 pandemic and its implications for public health, economic activity and trade have led to an extraordinary crisis that has necessitated the issuance of documents, guidelines, and calls for attention published, as of March 2021, by the ECB, EBA, Bank of Italy, Basel Committee, ESMA, CONSOB, as well as the IASB and IOSCO, aimed at providing guidance and interpretations on how to apply the provisions of accounting standards in the context of the current crisis, also with the aim of avoiding the development of pro-cyclical effects but at the same time ensuring correct and transparent disclosure and risk measurement.

Section 3. Events after the reporting date

No events occurred in the period between the end of the year and the date on which the financial statements were drawn up that were not taken into account for the purposes of drawing them up. The main events occurring after the end of the financial year and up to the date of preparation of the financial statements are summarised below, with reference to the Report on Operations for details.

- On 9 February 2023, the European Central Bank authorised Cherry Bank to provide the portfolio management service referred to in Art. 1(5)(d) of Legislative Decree No. 58/1998. At the same time, the Bank of Italy authorised the opening of a new branch in Ferrara where Cherry Bank provides funding, advisory and investment services.
- On 14 February 2023, the Board of Directors of Cherry Bank approved the new 2023-2025 Business Plan.
- On 14 February 2023, the Bank sent its expression of interest in relation to a possible partnership with Banca Popolare Valconca S.p.A. in Amministrazione Straordinaria (under Extraordinary Administration).

Section 4. Other aspects

Contributions to resolution mechanisms

By means of Legislative Decrees No. 180 and 181 of 16.11.2015 was the implementation in the national system of Directive 2014/59/EU (so-called Banking Resolution and Recovery Directive, "BRRD"), which establishes a framework for the recovery and resolution of credit institutions and investment firms and provides for the establishment of resolution funds.

Legislative Decree No. 181/2015 provides for said funds to be funded by:

Ordinary contributions paid on an annual basis by banks with registered offices in Italy with an amount determined by the Bank of Italy in accordance with the European Commission. These contributions will go into the national resolution fund with compulsory payments until the target minimum endowment level of 1% of guaranteed deposits is reached.

Extraordinary contributions to be paid by the same entities as in the preceding paragraph when ordinary contributions are insufficient to cover losses, costs or other expenses incurred to realise the objectives of the resolution.

Law No. 208/2015 (Stability Law 2016) provides that, in the event that the financial endowment of the National Resolution Fund (FNR) is not sufficient to support the resolution interventions carried out over time, the banks shall pay additional contributions to the FNR itself, to the extent determined by the Bank of Italy, in any case within the overall limit, including the contributions paid to the SFR, provided for in Articles 70 and 71 of Regulation EU/2014/806.

Accounting treatment of contributions related to the Bank Recovery and Resolution Directive

The contribution borne by the Bank in 2022 amounted to Euro 412,045.

This contribution, as indicated by the Bank of Italy, was accounted for under item 160 – other administrative expenses.

Targeted Longer-Term Refinancing Operations, TLTRO

In March 2019, the Governing Council of the ECB announced a third series of long-term refinancing operations (so-called TLTRO-III) to be conducted quarterly from September 2019 to December 2021. Starting in March 2020, the ECB, in the face of the Covid-19 emergency, introduced more favourable conditions for refinancing operations, which first applied from 24 June 2020 until 23 June 2021, and were last extended in December 2020 until June 2022.

The interest rate to be applied to the operation is linked to the characteristics of the participating institutions. Counterparties whose net eligible lending, between 1 March 2020 and 31 March 2021, was at least equal to their respective benchmark net lending levels were granted a rate reduction, up to a level equal to that of the prevailing central bank deposit facility during the respective operation, except for the period between 24 June 2020 and 23 June 2021 where a reduction of 50 basis points was applied (so-called special interest rate period). With the ECB Decision of December 2020, this reduction was also extended to the period between 24 June 2021 and 23 June 2022 for counterparties whose net eligible lending between 1 October 2020 and 31 December 2021 was at least equal to their respective net lending benchmarks.

On 27 October 2022, the Governing Council of the ECB, in line with the normalisation process of monetary policy aimed at dealing with the unexpected and extraordinary increase in inflation, decided to recalibrate the TLTRO III by applying the reference interest rate applicable during the period (Deposit Facility Rate) to the operations from 23 November 2022.

At the same time as the recalibration initiative, the ECB Governing Council introduced three new dates for voluntary redemptions (22 November, 23 January, 23 February) in addition to the usual quarterly deadlines (March, June, September, December).

The characteristics of the TLTRO III transactions, depending on the recognition of these more favourable conditions, could allow them to be attributed to different accounting cases, as this is not specifically dealt with by the IAS/IFRSs.

The choice adopted by Cherry Bank S.p.A. for the purposes of accounting for refinancing operations, to which the Bank adheres, concerns the application of the IFRS 9 accounting standard for variable-rate financial instruments, considering the refinancing conditions defined by the ECB as variable market rates within the framework of the Eurosystem monetary policy measures – with interest recognition, applicable from time to time, to be estimated according to the probability of being able to reach the envisaged objectives in terms of net lending.

In relation to the method of determining the effective interest rate, the Bank identified separate financing for the different periods of application of the rates in the transaction, applying the relevant economic conditions to each. In addition, the application of the most favourable terms for the

special interest rate period is due to the reasonable expectation that the net lending benchmark will be reached, supported by the findings at the date of approval of the financial statements.

The provisions of IFRS 9 on revisions to cash flow estimates apply in the event of any changes to the forecasts on the achievement of these targets.

The recalibration of the terms of the instrument by the ECB is considered to be the modification of a variable rate within the meaning of par. B5.4.5 of IFRS 9 with a forward-looking rate adjustment, in view of the fact that the ECB has the option to change rates at its discretion when setting monetary policy rates (as it did in April and December 2020 with the introduction of "special interest rate periods" and, more recently, in October 2022 as reported above). Interest is then recognised on a time-by-time basis based on the interest rate of the instrument for each period (equal to -0.5% until 24 June 2020; equal to -1% until 23 June 2022 and, thereafter, based on the terms in place) as provided for in paragraph B5.4.5 of IFRS 9.

Following the increases in interest rates approved by the Governing Council of the ECB as of July 2022, it became necessary to re-determine the effective interest rate applicable to each transaction as of the date of the rate revision, with the aim of distributing the benefit resulting from the peculiar mechanism of the average of rates over the period of the benefit itself. Finally, the recalibration to the terms applicable to TLTRO III financing defined on 27 October 2022 resulted in the recognition of the residual benefit until the date of the change in the contractual terms (i.e. until 22 November 2022). This approach is in line with what has been adopted in the past for the recognition of interest in special periods (i.e. recognition of the additional benefit of -50 bps in the period from June 2020 to June 2022) as it is considered to be the "monetary policy" variable rate applicable to the reference period. As of 23 November 2022, interest on outstanding TLTRO III financing is recognised on the basis of the Deposit Facility Rate in effect at that time.

Use of estimates and assumptions in preparing the financial statements

The preparation of financial statements, in accordance with the IFRS framework, requires the use of estimates and assumptions that may affect the amounts reported in the balance sheet and income statement, as well as the disclosure of contingent assets and liabilities in the financial statements.

Estimates and related assumptions are based on the use of any available information and/or factors deemed reasonable for that purpose at the time of preparation of these financial statements.

The following are the components in which the use of estimates and assumptions is substantially inherent in the determination of financial statement values:

- the quantification of impairment of loans and other financial assets;
- the use of internal valuation models to record the fair value of financial instruments not listed in active markets;
- estimates and assumptions on the recoverability of tax assets;
- the quantification of the employee severance indemnity fund and provisions for risks and charges.

By their nature, the estimates and assumptions used may vary from period to period and, therefore, it is possible that the values recorded in the financial statements may differ significantly in the future from those currently estimated. Any change in the estimate is applied prospectively and thus has an impact on the income statement of the year in which the change occurs and, possibly, on that of future years.

Business model changes

Changes in the business model are deemed to be related to a decision of the company's top management as an effect resulting from internal or external changes that are significant to the company's business and must be demonstrable to third parties. The change of target must be effective before the date of reclassification.

In certain rare circumstances, financial assets must be reclassified from the "amortised cost" category to the "fair value through other comprehensive income" or "fair value through profit or loss" categories.

According to IFRS 9, reclassification of all affected financial assets is only required in rare cases, following material and documentable changes, especially when and only when the entity changes its business model for managing financial assets (IFRS 9 – B4.4.1).

The reclassification should be applied prospectively from the "reclassification date" thus defined: *"First day of the first financial year after¹ the change in business model that resulted in the reclassification of financial assets"*.

At the close of the 2021 financial year, with effect from 1 January 2022, the Bank, partly as a result of the change in governance that took place following the merger with Cherry106, made a change to its business model for the management of its financial portfolio with regard to government bond exposures to customers at fixed rates and with maturities of more than 24 months.

The change led to the adoption of an HTC-type business model as opposed to the previously adopted HTC&S type.

This change in business model resulted in a reclassification of a group of securities from item 30. "Financial assets measured at fair value through other comprehensive income" to item 40.b) "Receivables from customers".

With regard to third-party NPL, Cherry Bank's business model remained a Hold to Collect and Sell ("HTC&S") model until the end of the financial year, as the operating strategy envisaged realising cash flows through both collection and sale. This business model stemmed from the merged Cherry 106 and consisted of the purchase of non-performing loans, their transformation into re-performing loans (Assignment Order of one-fifth of salary/pension – ODA or paying plans), and the subsequent resale of these loans on the market in order to maximise performance measured at their fair value.

This strategy was devised in view of both the intermediary's limited financial availability, which limited the growth of the assets in its portfolio, and the purchase of loans, mainly on the primary market, that qualified for recovery through legal action.

Cherry Bank's current acquisition strategy, which has also been reflected in the new 23-25 Business Plan, shows a greater focus on the secondary/tertiary markets, with low asset quality and significantly lower prices than in the primary market, leading to a preference for debt recovery through out-of-court settlement agreements, rather than a deferred recovery over time resulting from the initiation and prosecution of court actions.

Therefore, it is no longer tenable to state that the Bank's business model involves cash flow management as well as the sale of portfolios. The new business model is based instead on the mere management of cash flows from recovery activities; as a result of the current activity, portfolio sales are reserved a marginal and residual role that does not justify considering the sale as an integral part

of the Bank's business model.

On 31 January 2023, the Board of Directors of the Bank resolved to change the business model for the NPL Investment & Management Business Unit in relation to NPL, i.e., to adopt a Hold to Collect business model instead of Hold to Collect and Sell; the Bank therefore proceeded to recognise the NPL portfolios acquired but which, at the date of the decision, had not yet passed the on-boarding phase, under Financial assets measured at amortised cost.

Business continuity

These financial statements have been prepared on the assumption that the company is a going concern.

In assessing this assumption, the Directors have (i) conducted a thorough analysis of the elements underlying the assessment of Cherry Bank S.p.A.'s ability to continue to operate as a going concern, taking into account all available information on the future – which is relative to at least, but not limited to, twelve months after the closing date of the financial year as required by the reference accounting standards (IAS 1 par. 25,26) –, and (ii) considered the provisions of the joint coordination table between the Bank of Italy, Consob and Isvap regarding the application of IAS/IFRSs, in document No. 2 of 6 February 2009 "Information to be provided in financial reports on the going concern assumption, financial risks, impairment testing of assets and uncertainties in the use of estimates", as well as in the subsequent document No. 4 of 4 March 2010, which requires the Directors to make particularly accurate assessments of the existence of the going concern assumption.

The path of capital strengthening that began in 2020, which included the search for a partnership in the shareholding structure, took shape in the financial year 2021 with a major extraordinary operation that saw the entry of new reference shareholders in the Bank's share capital and a profound change in governance, as well as an integration of the Bank into new markets, such as NPL and Tax Credits. In particular, on 6 October 2021 was the merger by incorporation of Cherry 106 S.p.A. ("C106") into Banco delle Tre Venezie S.p.A. ("BTV") with the allocation to Cherry 106 shareholders of 51% of the Bank's share capital.

The results achieved as at 31 December 2022 confirm the new entity's ability to quickly achieve its objectives even in a rapidly changing market context.

The current macroeconomic context is in fact marked by the armed conflict between Russia and Ukraine with the well-known economic and social consequences of the sudden rise in energy and raw material costs. These consequences together with a post-Covid demand growth have led to a rise in inflation that the European Central Bank is trying to contain by raising rates. It is certainly a very different context from the one that has characterised the last few years with which we will have to deal. However, we do not believe that there are any particular critical elements for the Bank's economic-financial equilibrium.

In view of the above, the Directors have prepared these financial statements as at 31 December 2022 on a going concern basis.

A 2 – PART RELATED TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS

This chapter sets out the accounting standards adopted for the preparation of the financial statements as at 31 December 2022. The presentation of the accounting standards adopted by Cherry Bank, a joint-stock company, is made with reference to the recognition, classification, measurement and derecognition of the various asset and liability items. For each of the above steps, a description of their economic effects is also given, where relevant.

1. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

Recognition criteria

Initial recognition of financial assets is by settlement date for debt and capital securities and by subscription date for derivative contracts. Upon initial recognition, financial assets measured at fair value through profit or loss are recognised at fair value without considering transaction costs or income directly attributable to the instrument.

Classification criteria

Financial assets other than those classified as financial assets measured at fair value through other comprehensive income and financial assets measured at amortised cost are classified in this category.

This item, in particular, includes:

Financial assets held for trading, mainly consisting of debt and capital securities and the positive value of derivative contracts held for trading purposes;

Financial assets designated at fair value, i.e., financial assets so defined at the time of their recognition and where the conditions exist. An entity may irrevocably designate a financial asset as measured at fair value through profit or loss if, and only if, it thereby eliminates or significantly reduces a measurement inconsistency;

Financial assets obligatorily measured at fair value, represented by financial assets that do not meet the requirements for measurement at amortised cost or fair value through other comprehensive income. These are:

- Debt instruments, securities and loans that do not have cash flows consisting solely of the repayment of principal and interest payments on the amount of principal to be repaid (so-called "SPPI Test" not passed);
- Debt instruments, securities and loans whose business model is neither "*Hold to Collect*" (whose objective is the holding of assets for the purpose of collecting contractual cash flows) nor "*Hold to Collect and Sell*" (whose objective is achieved by both the collection of contractual cash flows and the sale of financial assets);
- UCITS units;
- Equity instruments for which no designation at fair value through other comprehensive income was opted for upon initial recognition.

Derivatives also include those embedded in complex financial contracts, where the host contract is not a financial asset falling within the scope of IFRS 9, which have been subject to separate recognition if:

- their economic characteristics and risks are not closely related to the characteristics of the underlying contract;
- 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 the related changes recognised in the income statement.

Reclassifications to other categories of financial assets are not permitted unless the entity changes its business model for managing financial assets. In such cases, which are expected to be highly infrequent, the financial assets may be reclassified from the category measured at fair value through profit or loss into one of the other two categories under IFRS 9 (financial assets measured at amortised cost or financial assets measured at fair value through other comprehensive income). The transfer value is the fair value at the time of reclassification and the effects of reclassification operate prospectively from the date of reclassification. In this case, the effective interest rate of the reclassified financial asset is calculated based on its fair value at the date of reclassification and this date is considered as the initial recognition date for the allocation to the different credit risk stages (stage allocation) for impairment purposes.

Valuation criteria

After initial recognition, financial assets held for trading are measured at fair value. The effects of applying this valuation criterion are attributed to the income statement.

Market prices are used to determine the fair value of financial instruments listed in an active market. In the absence of an active market, reference is made to commonly used estimation/valuation models, which take into account all the risk factors of the instruments: realisation value determined by reference to listed securities with similar characteristics, discounted cash flow calculations, option pricing models, values of recent comparable transactions, the solvency of the debtor and the debtor's country risk.

Capital securities and derivative instruments involving capital securities, for which fair value cannot be reliably determined according to the above guidelines, are held at cost and adjusted for impairment losses.

Derecognition criteria

Financial assets held for trading are derecognised when the sale has resulted in the transfer of substantially all the risks and benefits associated with the assets. When, on the other hand, they are retained to a significant extent, the assets continue to be recognised in the financial statements, even if in legal terms the ownership has been transferred. Retaining even partial control of the transferred assets implies retaining them in the financial statements to the extent of the residual involvement, measured by the exposure to changes in the value of the transferred assets and changes in their cash flows.

Finally, transferred financial assets are derecognised if the contractual rights to receive the related cash flows are retained, with the simultaneous assumption of an obligation to pay those flows, and only those flows, without material delay to other third parties.

2. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

Recognition criteria

The initial recognition of the financial asset takes place on the disbursement date in the case of loans, and on the settlement date for debt and capital securities.

Upon initial recognition, assets are recognised at fair value, which normally corresponds to the

consideration paid, including transaction costs or income directly attributable to the instrument itself. With regard to NPL, upon acquisition, these loans are recognised by allocating the price of the acquired portfolio to the individual credits comprising it, through the following activities:

- accounting recognition of individual credits at a value equal to the contractual price;
- upon completion of the verification of the documentation proving the existence and collectability of the credit, the positions without probative documentation or prescribed are written off and the remaining credits are assigned fair value;
- finally, following the sending of the notice of sale to the debtor, the credit is ready for the first processing for its recovery;

newly acquired NPL are then valued at the purchase price until the completion of the above document verification, at the end of which these loans enter the useful stages of credit recovery.

Classification criteria

Financial assets that meet both of the following conditions are included in this category:

The financial asset is held according to a business model whose objective is achieved both by collecting the contractually agreed cash flows and by selling them (*Business Model "Hold to Collect and Sell"*);

The contractual terms of the financial asset provide for cash flows at certain dates represented solely by payments of principal and interest on the amount of principal to be repaid (so-called "SPPI Test" passed).

Also included in this item are equity instruments, not held for trading purposes, for which the option to designate them at fair value through other comprehensive income was exercised upon initial recognition.

Reclassifications to other categories of financial assets are not permitted unless the entity changes its business model for managing financial assets.

In such cases, which are expected to be highly infrequent, the financial assets may be reclassified from the category measured at fair value through other comprehensive income into one of the other two categories under IFRS 9 (financial assets measured at amortised cost or financial assets measured at fair value through profit or loss). The transfer value is the fair value at the time of reclassification and the effects of reclassification operate prospectively from the date of reclassification. In the case of reclassification from this category to the amortised cost category, the cumulative gain (loss) recognised in the valuation reserve is deducted from the fair value of the financial asset at the date of reclassification. In the case of reclassification to the fair value category through profit or loss, the cumulative gain (loss) previously recognised in the valuation reserve is reclassified from Shareholders' Equity to Profit (Loss) for the year.

Valuation criteria

Subsequent to initial recognition, assets classified at fair value through other comprehensive income, other than capital securities, are measured at fair value with the impact of the application of amortised cost, the effects of impairment and any exchange rate effect recognised in the Income Statement, while other gains or losses arising from a change in fair value are recognised in a specific Equity reserve until the financial asset is derecognised.

Upon total or partial disposal, the cumulative gain or loss in the valuation reserve is reversed, in whole or in part, to the Income Statement.

Equity instruments for which a choice has been made to classify them in this category are measured at fair value and the amounts recognised with a balancing entry in Equity (Statement of Other Comprehensive Income) are not to be subsequently transferred to the Income Statement, even if they are sold. The only component referring to the capital securities in question that is recorded 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 or loss.

For capital securities included in this category, which are not listed in an active market, the cost criterion is used as an estimate of fair value only on a residual basis and limited to a few circumstances, i.e. in the event of non-applicability of all the valuation methods referred to above, or in the presence of a wide range of possible fair value measurements, within which cost represents the most significant estimate.

At the end of each annual or interim reporting period, financial assets measured at fair value through other comprehensive income, represented by both debt securities and loans, are subject to the test for significant increase in credit risk (impairment) required by IFRS 9, with the consequent recognition of a value adjustment in the Income Statement to cover expected losses.

Capital securities, on the other hand, are not subject to the impairment process.

With particular reference to NPL, i.e. financial assets considered impaired at the time of initial recognition, qualified as "Purchased or Originated Credit Impaired Assets" (POCI), at the date of initial measurement at amortised cost, an effective credit-adjusted interest rate is calculated (the so-called "credit-adjusted effective interest rate – CEIR"), for the identification of which it is necessary to include in the cash flow estimates the expected losses over the entire residual life of the financial instrument ("Expected Credit Loss – ECL - lifetime").

Specifically, once the credits purchased, upon completion of the document verification, enter into the recovery process, the valuation at amortised cost begins, using the credit-adjusted effective interest rate method, determined on the basis of the price paid, any transaction costs, cash flows and expected recovery times estimated on the basis of historical experience recorded or on the basis of analytical forecasts made by the managers in consideration of legal actions taken for recovery.

The originally calculated effective interest rate is maintained unchanged over time.

At the end of each period, the expected cash flows for each position are re-estimated; if events occur (higher or lower realised or expected cash receipts compared to forecasts and/or change in recovery times) that cause a change in the amortised cost (calculated by discounting the new cash flows at the original effective rate compared to the amortised cost for the period), this change is recorded under Impairment/Reversal of impairment for credit risk. Please refer to what is explained in more detail under "Other information" with reference to "Purchased or Originated Credit Impaired Assets".

At the end of the reporting period, these credits are finally measured at fair value, recognising the gains or losses arising from the change in fair value in a specific Equity reserve with reversal to the Income Statement upon derecognition.

For the manner in which fair value is determined, please refer to the criteria illustrated in "Information on fair value" below.

Derecognition criteria

Financial assets measured at fair value through other comprehensive income are derecognised when the sale has resulted in the transfer of substantially all the risks and benefits associated with the assets. The risks and benefits relating to the transferred assets, if retained to a material extent, continue to be recognised in the financial statements, even if legally the ownership of the assets had actually been transferred.

In the event that the substantial transfer of risks and benefits cannot be ascertained, financial assets are derecognised if no control is retained over them. Otherwise, the preservation, even in part, of this control entails retaining the assets in the financial statements to the extent of the residual involvement, measured by the exposure to changes in the value of the transferred assets and to changes in their cash flows.

Finally, transferred financial assets are derecognised if the contractual rights to receive the related cash flows are retained, with the simultaneous assumption of an obligation to pay those flows, and only those flows, without material delay to other third parties.

3. FINANCIAL ASSETS MEASURED AT AMORTISED COST

Recognition criteria

The initial recognition of financial asset takes place on the settlement date in the case of debt securities and on the disbursement date in the case of loans. Upon initial recognition, assets are recognised at fair value, including transaction costs or income directly attributable to the instrument itself.

In particular, as far as loans are concerned, the disbursement date normally coincides with the contract signature date. If this is not the case, a commitment to disburse funds is entered into when the contract is signed and closes on the date of disbursement. The loan is recognised on the basis of its fair value, which is equal to the amount disbursed, or subscription price, including costs/income directly attributable to the individual credit and determinable from the origin of the transaction, even if settled at a later date. Costs which, although having the above-mentioned characteristics, are reimbursed by the debtor counterparty or fall under normal internal administrative costs are excluded.

Classification criteria

Financial assets (in particular loans and debt securities) that meet both of the following conditions are included in this category:

- the financial asset is held in accordance with a business model whose objective is achieved through the collection of contractually agreed cash flows ("*Hold to Collect*" business model), and
- the contractual terms of the financial asset provide for cash flows at certain dates represented solely by payments of principal and interest on the amount of principal to be repaid (so-called "SPPI Test" passed).

More specifically, the following are recognised under this item:

- loans to banks in the various technical forms that meet the requirements set out in the previous paragraph;
- loans to customers in the various technical forms that meet the requirements set out in the previous paragraph;
- debt securities that meet the requirements set out in the previous paragraph.

Also included in this category are operating receivables related to the provision of financial activities and services as defined by the Consolidated Banking Act (TUB) and the Consolidated Law on Finance (TUF) (e.g. distribution of financial products and servicing activities). The latter category also includes receivables from product companies and receivables from the financial adviser network for commission advances paid.

Reclassifications to other categories of financial assets are not permitted unless the entity changes its business model for managing financial assets. In such cases, which are expected to be highly infrequent, financial assets may be reclassified from the category measured at amortised cost into one of the other two categories provided by IFRS 9 (financial assets measured at fair value through other comprehensive income or financial assets measured at fair value through profit or loss). The transfer value is the fair value at the time of reclassification and the effects of reclassification operate prospectively from the date of reclassification. Gains or losses resulting from the difference between the amortised cost of the financial asset and its fair value are recognised in the Income Statement in the case of reclassification to Financial assets measured at fair value through profit or loss, and in Equity, in the valuation reserve, in the case of reclassification to Financial assets measured at fair value through other comprehensive income.

Valuation criteria

After initial recognition, these financial assets are measured at amortised cost, using the effective interest rate method. In these terms, the asset is recognised in the Financial Statements at an amount equal to its initial recognition value less principal repayments, plus or minus the cumulative amortisation (calculated using the effective interest rate method referred to above) of the difference between this initial amount and the amount at maturity (typically attributable to costs/income charged directly to the individual asset), and adjusted for any provision to cover losses. The effective interest rate is identified by calculating the rate that equals the present value of the future cash flows of the asset, for principal and interest, to the amount disbursed including costs/income attributable to the financial asset. This method of accounting, using a financial logic, allows the economic effect of costs/income directly attributable to a financial asset to be distributed over its expected residual life.

The amortised cost method is not used for assets – valued at historical cost – whose short duration makes negligible the effect of applying the discounting logic, for those without a defined maturity date and for revocable receivables.

The valuation criteria are closely linked to the inclusion of the instruments under review in one of the three stages (credit risk stages) provided for by IFRS 9, the last of which (stage 3) comprises impaired financial assets and the remaining (stages 1 and 2) performing financial assets.

With reference to the accounting representation of the above valuation effects, the impairment referring to this type of asset are recognised in the Income Statement:

- at the time of initial recognition, in an amount equal to the expected twelve-month loss;
- at the time of the subsequent valuation of the asset, where the credit risk has not significantly increased since initial recognition, in relation to changes in the amount of expected loss adjustments over the following twelve months;
- at the time of the subsequent valuation of the asset, where the credit risk has significantly increased since initial recognition, in connection with the recognition of impairment for expected losses over the entire residual contractual life of the asset;
- at the time of the subsequent valuation of the asset, where – after there has been a significant

increase in credit risk with respect to initial recognition – the “materiality” of this increase has subsequently ceased to exist, in connection with the adjustment of cumulative impairment to reflect the change from an expected loss over the entire residual life of the instrument (“lifetime”) to one at twelve months.

The financial assets in question, if performing, are subjected to a valuation, aimed at defining the impairment to be recognised in the financial statements, at the level of the individual loan relationship (or “tranche” of security), according to the risk parameters represented by probability of default (PD), loss given default (LGD) and exposure at default (EAD).

If, in addition to a significant increase in credit risk, there is also objective evidence of impairment, the amount of the loss is measured as the difference between the carrying amount of the asset (classified as “impaired”, like all other relationships with the same counterparty) and the present value of estimated future cash flows, discounted at the original effective interest rate.

The amount of the loss, to be recognised in the Income Statement, is defined on the basis of an analytical valuation process or determined by homogeneous categories and, therefore, attributed analytically to each position.

Impaired assets include financial instruments that have been assigned the status of:

- Non-performing: these are formally impaired loans i.e. exposures to borrowers that are unable to meet their payment obligations, even if their insolvency has not been established by a court of law, or in equivalent conditions.
- Probable defaults (“unlikely to pay”): represent on- and off-balance sheet exposures, for which the conditions for classification of the debtor as non-performing do not apply, and for which there is an improbability assessment that, in the absence of actions such as enforcement of collateral, the debtor is able to fully meet its credit obligations (principal and/or interest). This assessment is carried out independently of the presence of any amount (or instalment) past due and unpaid. The classification as probable defaults is not necessarily linked to the explicit presence of anomalies (non-reimbursement) but is indeed linked to the existence of elements indicative of a situation of risk of debtor default.
- Past due and/or overdrawn impaired loans: represent on-balance sheet exposures, other than those classified as non-performing or probable defaults which, at the reporting date, are past due or overdrawn for more than 90 days. Past due and/or overdrawn impaired loans can be determined by reference, alternatively, to the individual debtor or to the individual transaction.

The expected cash flows take into account the expected recovery times and the presumed realisable value of any guarantees.

The original effective rate of each asset remains unchanged over time even if there has been a restructuring of the relationship resulting in a change in the contractual rate and even if the relationship becomes, in practice, non-interest bearing.

If the reasons for the impairment no longer exist following an event occurring after the impairment loss was recognized, the impairment loss is reversed and the reversal is recognized in the Income Statement. The reversal may not exceed the amortised cost that the financial instrument would have had in the absence of previous adjustments.

Reversals of impairment losses associated with the passage of time are recognised under item “10. Interest and similar income”.

In some cases, during the life of the financial assets under review and, in particular, the loans, the original contractual terms are subject to subsequent modification at the will of the parties to the contract.

When, during the life of an instrument, the contractual terms are changed, it is necessary to determine whether the original asset should continue to be recognised in the financial statements or

whether, on the contrary, the original instrument should be derecognised and a new financial instrument should be recognised.

In general, changes in a financial asset lead to its derecognition and the recognition of a new asset when they are "substantial". The assessment of the "substantiality" of the change must be made considering both qualitative and quantitative elements. In some cases, in fact, it may be clear, without recourse to complex analyses, that the changes introduced substantially alter the characteristics and/or contractual flows of a given asset while, in other cases, further analyses (also of a quantitative nature) will have to be carried out in order to appreciate the effects of the same and to ascertain whether or not it is necessary to proceed with the derecognition of the asset and the recognition of a new financial instrument.

The (qualitative-quantitative) analyses aimed at defining the "substantiality" of the contractual changes made to a financial asset will therefore have to consider:

- the purposes for which the changes were made: for example, renegotiations for commercial reasons and concessions due to financial difficulties of the counterparty: the former, aimed at "retaining" the customer, involve a debtor who is not in a situation of financial difficulty. This includes all renegotiation transactions that are aimed at adjusting the onerousness of the debt to market conditions. Such transactions entail a change in the original terms of the contract, usually requested by the debtor, which relates to aspects related to the onerousness of the debt, with a consequent economic benefit for the debtor. As a general rule, it is considered that whenever the Bank renegotiates in order to avoid losing its customer, such renegotiation should be regarded as substantial because, if it were not carried out, the customer would be able to obtain financing from another intermediary and the Bank would suffer a decrease in expected future revenues; the latter, carried out for "credit risk reasons" (forbearance measures), are attributable to the Bank's attempt to maximise the cash flow recovery of the original loan. The underlying risks and benefits, after modification, are normally not substantially transferred and, consequently, the accounting presentation that provides the most relevant information for the reader of the financial statements (subject to what will be discussed below on the subject of objective elements) is that made through "modification accounting" – which implies the recognition in the income statement of the difference between the book value and the present value of the modified cash flows discounted at the original interest rate – and not through derecognition;
- the presence of specific objective elements ("triggers") affecting the characteristics and/or contractual flows of the financial instrument (such as, by way of example only, a change of currency or a change in the type of risk to which one is exposed, when correlated to equity and commodity parameters), which are deemed to lead to derecognition in consideration of their impact (expected to be significant) on the original contractual flows.

Derecognition criteria

Financial assets are derecognised when the sale has resulted in the transfer of substantially all the risks and benefits associated with the assets. When the risks and benefits of the transferred assets are retained to a material extent, they continue to be recognised in the financial statements, even if legally the ownership of the relationships has been effectively transferred.

In the event that the substantial transfer of risks and benefits cannot be ascertained, financial assets are derecognised if no control is retained over them. Otherwise, the preservation, even in part, of this control entails retaining the assets in the financial statements to the extent of the residual involvement, measured by the exposure to changes in the value of the transferred assets and to

changes in their cash flows.

Finally, transferred financial assets are derecognised if the contractual rights to receive the related cash flows are retained, with the simultaneous assumption of an obligation to pay those flows, and only those flows, without material delay to other third parties.

4. INVESTMENTS

Recognition criteria

Investments are recorded on the settlement date. On initial recognition, equity interests are accounted for at cost, including costs or income directly attributable to the transaction.

Classification criteria

This item includes interests held in subsidiaries, associates and jointly controlled companies. Companies in which the Bank holds at least 20% of the voting rights are considered associates, i.e. subject to significant influence.

Valuation criteria

After initial recognition, investments are accounted for at cost in accordance with IAS 27 §10. At each reporting date or interim report date, any objective evidence that the investment is impaired is ascertained.

These investments fall within the scope of IAS 36 with regard to impairment testing. In particular, they must be tested whenever there are objective indicators of impairment and at least once a year, at the time of preparing the Financial Statements.

If the test shows that the recovery value of the investment is lower than its book value, the difference is recognised in the Income Statement under item 220 "Gains (Losses) on investments". This item also includes any future reversals, where the reasons for previous write-downs have ceased to exist.

Derecognition criteria

Investments are derecognised when they are sold with the substantial transfer of all risks and benefits of ownership. The result of the sale of investments is recorded in the Income Statement under item "220 Gains (Losses) on investments". The same applies to investments not previously classified under item 140 "Non-current assets and groups of assets held for sale"; in this case, the result of the sale is recorded under item "280 Gain (Loss) from discontinued operations net of taxes".

Criteria for recognising income components

Said criteria can be seen from the exposition illustrated in the preceding paragraphs.

Dividends are recognised within item 70 "Dividends and similar income" of the Income Statement, when the right to receive payment arises.

5. TANGIBLE ASSETS

Recognition criteria

Tangible assets include land, group-occupied property, investment property, furnishings, fixtures, fittings, plant and equipment.

Tangible assets are recognised at cost, which comprises the purchase price of the asset and costs directly attributable to the asset's acquisition and operation.

Extraordinary maintenance costs entailing an increase in future economic benefits are recorded as an increase in the value of the assets involved, while the other ordinary maintenance costs are recorded in the Income Statement.

"Tangible assets" also include assets used under finance leases entered into as lessee, for which the company has assumed substantially all the risks and benefits of ownership. Fixed assets subject to finance leases as lessee are initially recognised at the lower of fair value and the present value of the minimum lease payments; this value is subsequently subject to depreciation.

Classification criteria

The item includes:

- Assets for functional use owned;
- Assets for functional use acquired under leasing;
- Assets held for investment purposes;
- Assets held for investment purposes acquired under lease.

A distinction must be made between assets for functional use and assets held for investment purposes.

Assets for functional use

"Assets for functional use" are defined as tangible assets held to be used for the purpose of carrying out the company's business and whose use is assumed over a period of time longer than the financial year.

Assets for functional use include properties leased to Employees.

Assets held for investment purposes

"Assets held for investment purposes" are defined as properties held for the purpose of earning rentals or for capital appreciation. Consequently, a property investment differs from an asset held for the owner's use in that it gives rise to financial flows that are widely different from other assets held by the Bank.

Tangible assets (for functional use and held for investment purposes) also include those recorded following finance lease contracts, although the legal ownership of the same remains with the lessor company. Also included are rights of use acquired under operating leases (as lessee), if these rights relate to assets that can be classified as tangible assets.

Valuation criteria

Subsequent to initial recognition, tangible assets are carried at cost less accumulated depreciation and any accumulated impairment losses. The depreciable amount, which is equal to cost less

residual value (i.e. the expected amount that would normally be obtained from disposal, less expected costs of disposal, if the asset was already in the condition, including age, expected at the end of its useful life), is allocated systematically over the useful life of the tangible asset using the straight-line method as the depreciation method. The useful life, which is subject to periodic revision in order to detect any estimates that differ significantly from the previous ones, is defined as:

- the period of time over which an asset is expected to be usable by the company or,
- the quantity of products or similar units that the enterprise expects to obtain from the use of the asset.

In view of the circumstance that tangible assets may be composed of components with different useful lives, land, whether stand-alone or included in the value of the building, is not subject to depreciation as it is a fixed asset with indefinite useful life. The separation of the value attributable to the land from the overall value of the property takes place, for all buildings, in proportion to the percentage of ownership. Buildings, on the other hand, are depreciated according to the criteria set out.

Works of art are not subject to depreciation as their value generally increases with the passage of time.

Depreciation of an asset begins when the asset is available for use and ceases when the asset is derecognised. Accordingly, depreciation does not cease when the asset becomes idle or is no longer in use or is held for disposal, unless the asset is fully depreciated.

Leased tangible assets

The commencement of the lease term is the date from which the lessee is authorised to exercise its right to use the leased asset and thus corresponds to the date of initial recognition of the lease.

At the commencement of the lease term, the lessee recognises leases as assets (right of use) and liabilities (finance lease debt). The initial value of the right of use is equal to the initial recognition value of the lease liability (see item 11 "Financial liabilities measured at amortised cost"), adjusted for any initial direct costs incurred by the lessee.

In adopting IFRS 16, the Bank decided to take advantage of the exemption granted by IFRS 16:5(a) in respect of short-term leases (lease term of less than 12 months) and the exemption granted by IFRS 16:5(b) in respect of leases for which the underlying asset is a low-value asset, i.e. for those cases where the underlying assets of the lease do not exceed a value of Euro 5,000 when new (mainly computers, telephones and tablets, printers and other electronic devices). For these contracts, the introduction of IFRS 16 did not result in the recognition of the right of use and the related financial liability, but the lease payments continue to be recognised in the Income Statement on a straight-line basis over the term of the respective contracts, in continuity with the previous method of accounting.

After the commencement date, the right-of-use asset is measured using the cost model, i.e. net of accumulated depreciation (recognised in each year under item 180 "Net impairment/reversals of impairment of tangible assets) and accumulated impairment losses, and adjusted for any restatement of the lease liability.

The periodic payments made in connection with the contract are divided between financial costs (interest portion of the lease payment), recorded under item 20 of the Income Statement "Interest and similar expense", and the principal portion, recorded as a reduction of the related financial liability for leasing recorded as a liability in the Balance Sheet.

Derecognition criteria

A tangible asset is derecognised on disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising from the disposal or withdrawal of the tangible asset, equal to the difference between the net disposal proceeds and the carrying amount of the asset, is recognised in the Income Statement under item 250 "Gains (Losses) on disposal of investments".

Criteria for recognising income components

The Income Statement is affected by depreciation rates according to the predefined useful life for each category.

The useful life of assets is reviewed at each reporting date and, if expectations differ significantly from previous estimates, the planned depreciation schedule is amended.

6. INTANGIBLE ASSETS

Recognition criteria

The asset, shown under Balance Sheet item 90 "Intangible assets", is recognised at cost and any expenditure subsequent to initial recognition is capitalised only if it is capable of generating future economic benefits and only if such expenditure can be reliably determined and allocated to the asset.

The cost of an intangible asset includes:

- the purchase price including any taxes and duties on non-recoverable purchases after deducting trade discounts and rebates;
- any direct costs for preparing the asset for use.

Classification criteria

An intangible asset is defined as a non-monetary, identifiable asset that lacks physical substance and is used in the conduct of the company's business.

The asset is identifiable when it:

- is severable, i.e. capable of being separated or unbundled and sold, transferred, licensed, leased or exchanged;
- arises from contractual or other legal rights regardless of whether those rights are transferable or severable from other rights and obligations.

The asset is characterised by the fact that it is controlled by the enterprise as a result of past events and on the assumption that economic benefits will flow to the enterprise through its use. An enterprise is in control of an asset if it has the power to enjoy the future economic benefits from the resource in question and can, moreover, limit access to those benefits by third parties.

Future economic benefits arising from an intangible asset may include income from the sale of products or services, cost savings, or other benefits resulting from the use of the asset by the enterprise.

An intangible asset is recognised as such if, and only if:

- it is probable that expected future economic benefits attributable to the asset will flow to the enterprise;

- the cost of the asset can be measured reliably.

The probability of future economic benefits occurring is assessed using reasonable and supportable assumptions that represent the best estimate of the set of economic conditions that will exist over the useful life of the asset.

The degree of probability associated with the flow of economic benefits attributable to the use of the asset is assessed on the basis of the sources of information available at the time of initial recognition, giving greater weight to external sources of information.

Cherry Bank S.p.A. classifies the following as intangible assets: goodwill and third-party software costs with long-term utility. In contrast, intangible assets do not include rights of use acquired under operating leases (as lessee) and relating to the use of an intangible asset, based on the option provided for in IFRS 16 paragraph 4.

Intangible assets with definite useful life

An asset with definite useful life is one for which it is possible to estimate the time limit within which the related economic benefits are expected to be generated.

Intangible assets with indefinite useful life

An asset with indefinite useful life is one for which it is not possible to estimate a foreseeable limit to the period during which the asset is expected to generate economic benefits for the company.

The attribution of an asset's indefinite useful life does not result from having already planned future expenditures that will restore the asset's standard level of performance over time, thereby extending its useful life.

Valuation criteria and income components

Subsequent to initial recognition, intangible assets with definite useful life are recognised at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on a systematic basis over the best estimate of the useful life of the fixed asset (see definition included in the paragraph on "Tangible assets") using the straight-line method.

The amortisation process begins when the asset is available for use and ceases on the date the asset is derecognised.

Intangible assets with indefinite useful life (i.e., goodwill) are recognised at cost less any impairment losses periodically identified as a result of impairment testing conducted to verify the adequacy of the asset's carrying value. Consequently, no amortisation is calculated for these assets.

No intangible assets arising from research (or from the research phase of an internal project) are recognised.

Derecognition criteria

The asset is derecognised if there are indications that it may be impaired or when future economic benefits are no longer expected.

7. CURRENT AND DEFERRED TAXATION

Recognition criteria

The provision for income taxes is determined on the basis of a prudent forecast of the current tax expense, deferred tax assets and liabilities. Deferred tax assets and liabilities are calculated on temporary differences between the book value of assets and liabilities in the financial statements and their value for tax purposes.

Deferred tax assets are recognised to the extent that there is a reasonable certainty of their recovery in the presence of future taxable income, while deferred tax liabilities are recognised to the extent that it is believed that the conditions for their taxation will arise in future years.

The rates used, separately for each type of tax, are those in force for the periods of reversal of temporary differences and without time limits.

Deferred taxation is recognised with reference to:

- revaluation reserves of real estate in suspense for tax purposes, portion calculated on the portion of revaluation of real estate not used by the company;
- revaluation reserves referring to movable assets;
- valuation reserve of the "securities held for sale" portfolio.

Classification criteria

Tax assets and liabilities are shown in the Balance Sheet separately from other assets and liabilities. Deferred tax assets and liabilities are distinguished from current tax assets and liabilities.

Valuation criteria

Deferred tax assets and liabilities are measured at year-end in relation to the probability of recovery, changes in tax laws and rates, and are not discounted.

Derecognition criteria

Assets and liabilities are derecognised when there are no valid reasons for the existence of credit and debit relationships with the tax authorities.

At the end of the financial year, the provision for deferred taxes and "Current tax assets" are adjusted in connection with the reversal to the Income Statement of taxes that have become current during the year.

Criteria for recognising income components

Current taxes accrued during the year, deferred tax assets and liabilities arising during the year, and changes in the previous year's balances, are recorded in the Income Statement; they are instead allocated to equity, when they are allocated to equity reserves. Taxes related to discontinued operations are deducted directly from the relevant Income Statement items.

8. PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges for commitments and guarantees given

The sub-item of provisions for risks and charges under review includes provisions for credit risk recognised against commitments to disburse funds and guarantees given that fall within the scope of application of the impairment rules under IFRS 9.

For these cases, the same methods of allocation between the three stages of credit risk and calculation of the expected loss shown with reference to financial assets measured at amortised cost or fair value through other comprehensive income are adopted in principle.

Other provisions

Other provisions for risks and charges consist of provisions relating to legal obligations of a contractual or non-contractual nature or to litigation, including tax litigation, arising from a past event, for which it is probable that economic resources will be disbursed to fulfil the obligations, provided a reliable estimate of the amount can be made.

Specifically, other provisions for risks and charges consist of liabilities recognised when:

- there is a present obligation (legal or implicit) as a result of a past event;
- it is likely that disbursement of resources capable of producing economic benefits will be necessary to fulfil the obligation;
- a reliable estimate can be made of the amount of the obligation.

If all these conditions are not met, no liability is recognised.

The amount recognised as a provision represents the best estimate of the expenditure required to settle the obligation and reflects the risks and uncertainties surrounding the facts and circumstances under consideration.

Where the effect of the time deferral in incurring the obligation is significant, the amount of the provision is determined as the present value of the best estimate of the cost to settle the obligation. In this case, a discount rate is used to reflect current market valuations.

Provisions are periodically reviewed and, if necessary, adjusted to reflect the best current estimate. When, following the review, the incurrence of the charge becomes unlikely, the provision is reversed.

9. FINANCIAL LIABILITIES MEASURED AT AMORTISED COST

Recognition criteria

These financial liabilities are first recognised on the date the contract is entered into, which normally corresponds to the date on which the sums collected are received or the debt securities are issued. Initial recognition is based on the fair value of the liabilities, normally equal to the amount collected or the issue price, plus any additional costs/income directly attributable to the individual financing or issuance transaction. Internal administrative costs are excluded.

Classification criteria

Payables to banks, Payables to customers, and Securities issued include the various forms of interbank and customer financing and funding through certificates of deposit and bonds in issue, net, therefore, of any amounts repurchased.

Payables to banks and customers also include operating debts arising from the provision of financial services.

Valuation criteria

After initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method.

An exception to this are short-term liabilities, for which the time factor is insignificant, which therefore remain recognised at the amount collected and whose costs, if any, are allocated to the Income Statement on a straight-line basis over the contractual term of the liability.

Derecognition criteria

Financial liabilities are derecognised when they are due or settled. Derecognition takes place even if previously issued bonds are repurchased.

The difference between the book value of the liability and the amount paid to acquire it is recorded in the Income Statement.

The placing of own securities on the market after repurchase is regarded as a new issue with registration at the new placement price.

10. FINANCIAL LIABILITIES HELD FOR TRADING

The item includes the negative value of trading derivative contracts measured at fair value.

Recognition criteria

Upon initial recognition, financial liabilities held for trading are recognised at their fair value.

Classification criteria

Financial liabilities held for trading refer to derivative contracts that are not recognised as hedging instruments.

Valuation criteria

Even after initial recognition, financial liabilities held for trading are measured at fair value at the end of the reporting period. Fair value is determined on the basis of the same criteria illustrated for financial assets held for trading.

Derecognition criteria

Financial liabilities are derecognised when they are settled or when the related obligation is fulfilled,

cancelled or expired. The difference arising on derecognition is recorded in the Income Statement.

11. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE

Recognition criteria

These liabilities are recognised at the date of issue at their fair value less placement fees paid.

Classification criteria

This item includes financial liabilities, whatever their technical form, designated at fair value with a balancing entry in the Income Statement, in application of the so-called “fair value option” provided by IFRS9. The portion of own-issued debt securities not yet placed with third parties is to be excluded. The application of the Fair Value Option (FVO) extends to all financial assets and liabilities that, otherwise classified, would have given rise to a distortion in the presentation of the economic result.

Valuation criteria

Subsequent to recognition, liabilities are always measured at fair value; in particular, IFRS 9 requires that changes in fair value attributable to changes in creditworthiness are recognised in the Statement of Other Comprehensive Income (i.e. Shareholders' Equity), while the remaining changes in fair value are recognised in the Income Statement. The amounts recognised in the Statement of Other Comprehensive Income do not subsequently recur in the Income Statement.

In the absence of an active market, estimation methods and valuation models based on market data such as discounting of future cash flows and option pricing models are used.

Derecognition criteria

Financial liabilities are derecognised when they expire or are settled. Derecognition takes place even if previously issued securities are repurchased. The difference between the carrying amount of the liability and the amount paid to buy it back is recognised in the Income Statement.

Criteria for recognising income components

The valuation results are recorded in the Income Statement under item 110 “Net result of financial assets/liabilities measured at fair value through profit or loss”.

12. CURRENCY TRANSACTIONS

Recognition criteria

Transactions in foreign currencies are recorded on initial recognition, in the currency of account, by applying to the foreign currency the exchange rate in force on the date of the transaction.

Criteria for recognising income components

At each reporting date:

- monetary items in foreign currencies are converted using the closing rate;
- non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate prevailing at the date of the transaction; non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value is determined.

Exchange differences arising from the settlement of monetary items or from the translation of monetary items at rates different from those at which they were translated at initial recognition during the financial year or in previous financial statements are recognised in the Income Statement in the year in which they arise, with the exception of exchange differences arising from a monetary item that forms part of a net investment in a foreign operation. Exchange differences arising from a monetary item that forms part of a net investment in a foreign operation of a reporting enterprise are recognised in the Income Statement of the reporting enterprise's individual financial statements or the individual financial statements of the foreign operation. In financial statements that include the foreign operation (e.g. consolidated financial statements when the foreign operation is a subsidiary), such exchange differences are recognised initially in a separate component of equity and recognised in the Income Statements upon disposal of the net investment. When a gain or loss on a non-monetary item is recognised directly in equity, any foreign exchange component of that gain or loss is recognised directly in equity. Conversely, when a gain or loss on a non-monetary item is recognised in the Income Statement, each exchange component of that gain or loss is recognised in the Income Statement.

13. EQUITY

Equity includes under the item "Share premium" the premium price paid at the time of subscription of the bond mandatorily convertible into shares with a nominal value of Euro 18.261 million, which expired and was converted on 15.07.2013, net of issue expenses.

14. OTHER INFORMATION

Employee severance indemnity (TFR)

The recognition of defined-benefit plans requires the use of actuarial techniques to estimate the amount of benefits accrued by employees in exchange for their service in the current and prior years, and the discounting of these benefits in order to determine the present value of the Company's obligations.

The "severance indemnity" of employees is recognised on the basis of its actuarial value determined

using the Projected Unit Credit Method as set forth in IAS 19.

Guarantees given and commitments

“Guarantees given” include all guarantees given by the Bank.

Guarantees of a “financial nature” are those granted to support transactions aimed at the acquisition of financial means; guarantees of a “commercial nature” are those granted to guarantee specific commercial transactions: they are indicated with reference to the ordering party, i.e. the party whose obligations are covered by the guarantee provided.

They are recorded at nominal value net of cash outflows and impairment, if any.

Commitments to disburse funds are irrevocable commitments of certain or uncertain use, which may give rise to credit risk (excluding commitments arising from the conclusion of derivative contracts): the carrying amount is net of amounts already disbursed and any impairment.

Irrevocable commitments for certain use include commitments to disburse funds whose use by the applicant is certain and definite: they are therefore binding contracts for both the grantor and the applicant. The aggregate includes, *inter alia*, purchases of securities not yet settled (the company accounts for securities by settlement date) and deposits and loans to be disbursed at a predetermined future date.

Irrevocable commitments are of uncertain use when use by the applicant is optional; in this case, it is uncertain whether and to what extent the actual disbursement of funds will take place.

Underlying commitments to credit derivatives: protection sales are commitments arising from the sale of protection against credit risk.

They are recorded at nominal value net of disbursements and impairment, if any.

Revenue recognition

Revenues are recognised when they are received or, in any case, when it is probable that future benefits will be received; when they cannot be reliably estimated, revenues are measured to the extent that the related costs incurred are recoverable.

In particular:

- interest is recognised *pro rata temporis* on the basis of the contractual interest rate or the effective interest rate if the relevant assets have a contractual duration beyond the short term;
- dividends are recognised in the Income Statement when they are received;
- fees for service revenues are recognised, based on contractual agreements, in the period in which the services are rendered;
- proceeds from the sale of non-financial assets are recognised when the sale is completed, unless the Bank has retained most of the risks and benefits associated with the asset.

Purchased or Originated Credit Impaired (POCI) Assets

Purchased or Originated Credit Impaired (POCI) Assets are those exposures that are impaired at the date of purchase or at the date they are originated.

At the time of purchase, impaired loans are booked at the price paid and kept at the price paid until the end of the on-boarding phase, which generally lasts 6-9 months depending on the size and complexity of the portfolio. During this phase, all information about the debtors, their income and asset position, and the documentation proving the credit are collected. Once all the necessary

information has been obtained, the purchased portfolio is released at amortised cost: this implies identifying for each file the expected cash flows determined according to the most suitable type of recovery (judicial, extrajudicial). The cash flows determined in this way are already appropriately adjusted for expected losses over the entire residual life of the credit ("Expected Credit Loss – ECL – lifetime").

The credit-adjusted effective interest rate ("CEIR") is then determined, i.e. that rate which equals the sum of the present value of the future cash flows of the portfolio's files, net of related recovery costs, to the portfolio's purchase price.

At each reporting date, the expected cash flows are restated to take into account the progress of management actions, any collections noted and any new useful information gathered. Positive or negative changes in the timing or amount of expected cash flows are recognised as reversals or adjustments to loans, as required by IFRS 9 for Purchased or Originated Credit Impaired (POCI) financial assets.

In the case of a sale, the difference between the sales price and the amortised cost value at the time of the transaction is recognised in gains (losses) on the sale of receivables.

Depending on the business model with which these assets are managed, POCI are classified as either Financial assets measured at fair value through other comprehensive income or Financial assets measured at amortised cost.

The attribution of the HTC&S business model for POCI results in their valuation at amortised cost, and eventual impairment, and the recurring valuation at fair value with the effects of changes in fair value recognised in equity and, therefore, included in the Statement of Other Comprehensive Income ("FVTOCI").

Impairment of financial instruments

At each reporting date, in accordance with IFRS 9, financial assets other than those measured at fair value through profit or loss are subject to an assessment to determine whether there is any evidence that the carrying value of the assets is not fully recoverable. A similar analysis is also performed for commitments to disburse funds and for guarantees given that fall within the scope to be subject to impairment under IFRS 9.

Impairment losses on performing financial assets

For financial assets for which there is no evidence of impairment (non-impaired financial instruments), it is necessary to check whether there are any indicators that the credit risk of the individual transaction has significantly increased since initial recognition.

The standard, in fact, provides that, for the purposes of assessing creditworthiness, non-impaired financial assets must be allocated to two different Stages:

- Stage 1: for exposures that have not deteriorated in credit quality since the time of disbursement or purchase or that imply negligible credit risk at that time;
- Stage 2: for exposures whose original credit quality has deteriorated significantly and whose credit risk is not negligible, although they are not yet classified as impaired.

For the purposes of identifying any "significant deterioration" in credit quality since the date of initial recognition and the consequent need for classification in Stage 2, as well as speculatively, the prerequisites for returning to Stage 1 from Stage 2, the choice made provides, at each reporting date, for a comparison of the credit quality of the financial instrument at the time of valuation with

that at the initial time of disbursement or purchase (stage assignment).

The significant deterioration of creditworthiness with respect to the time of disbursement, in addition to being conditioned by macroeconomic parameters, is identified through the analysis of the following so-called "staging" criteria:

Significant increase in credit risk:

- the change in the probability of default with respect to the time of initial recognition of the financial instrument. It is, therefore, an assessment made by adopting a "relative" criterion, i.e. the change in the CRS rating;
- continuous overrunning of more than 30 days;
- presence of a Forborne credit;

Some peculiar considerations also apply to the so-called "staging" of securities. Unlike loans, in fact, for this type of exposure, buying and selling transactions subsequent to the first purchase made with reference to the same ISIN, may routinely fall within the ordinary management of the positions (with the consequent need to identify a methodology to be adopted for the identification of sales and redemptions in order to determine the residual quantities of individual transactions to which to associate a credit quality/rating at origination to be compared with that of the reporting date). In this context, it was considered that the use of the "first-in-first-out" or "FIFO" methodology contributes to a more transparent portfolio management, also from the point of view of front-office operators, while at the same time allowing a continuous updating of the creditworthiness assessment on the basis of new purchases.

Once the allocation of exposures to different stages of credit risk has been defined, the determination of expected losses (ECL) is made by applying the following parameters and calculations:

Stage 1

- the Probability of Default (PD), which expresses, dynamically over time, each customer's probability of moving from "non-impaired credit" to "impaired credit" status (past due, probable default or non-performing) within one year;
- the Loss Given Default (LGD) rates (i.e., the loss that, in the event of default, cannot be recovered, either judicially or extrajudicially, also taking into account the expenses incurred and the time required by the recovery attempt) to be applied to non-impaired credits, which result from the application of the methodologies made available by Cedacri and adopted by the Bank;
- the lump-sum expected loss percentages for each credit line included in non-impaired credits are determined by multiplying the respective Probability of Default (PD) by the Loss Given Default (LGD);
- the sum of the expected losses relating to individual relationships, each of which is in turn obtained from the product of the relevant exposure and the relevant lump sum percentage, quantifies the total amount of expected losses of the entire non-impaired loan portfolio.

Stage 2

For this category of credits, the assessment of the loss to be quantified in the financial statements will be determined by reference to the entire residual life of the individual loans and not by reference to the next twelve months as for the credit included in Stage 1.

The risk parameters (PD and LGD) will therefore refer to a time horizon differentiated according to the maturity of each individual exposure, and the multi-year expected loss will be the sum of all annual components from valuation date to maturity date.

Impairment losses on non-performing financial assets

Impaired loans (Stage 3) are subject to the following valuation methods:

- analytical-specific assessment for all exposures classified as non-performing;
- analytical-specific assessment for all exposures classified in the category of probable defaults (UTP);
- analytical-specific assessment for all exposures classified in the past due and/or overdrawn category.

The analytical-specific assessment is a valuation of individual positions based on a qualitative-quantitative analysis of the debtor's economic and financial situation, the riskiness of the credit relationship, any mitigating factors (guarantees) and made taking into account the financial effect of the estimated time required for recovery.

Methods of determining fair value

Fair value is defined as the price at which a purchase or sale of an asset or liability would occur in a regular transaction between market participants, under the conditions prevailing at the valuation date in the principal or most advantageous market (exit price), regardless of whether that price is observable directly or estimated using another valuation technique. Underlying the measurement of fair value is the presumption that the entity is a going concern, i.e. that it is in a fully operational situation and therefore does not intend to liquidate or significantly reduce its operations or undertake transactions on unfavourable terms. Fair value is therefore not the amount the entity would receive or pay in the event of forced transactions or sales below cost.

The valuation techniques used to measure fair value are applied uniformly and continuously over time.

Listed instruments

In the case of listed instruments in active markets, the fair value must be equal to the quotation price. A market is defined as active when the price of the financial instrument is readily and regularly provided by stock exchanges, brokers, dealers or info providers and when the price itself represents actual transactions in the instrument being valued.

The current definition of a regulated market does not always coincide with the notion of an "active market". An "official regulated market" functions properly if:

- there are rules, issued or approved by the Authorities of the market's country of origin, governing the conditions of operation, access, and those that a contract must satisfy in order to be effectively processed;
- there is a clearing mechanism that requires derivative contracts to be subject to daily margin calls, which provide adequate protection.

However, a regulated market does not guarantee the presence of "significant" prices if it is not representative of significant daily trading in terms of volume.

As a result, special procedures are put in place to identify active markets, i.e. those markets in which the prices of traded instruments represent the value at which market transactions actually take place.

These procedures are based on the analysis of the following factors:

- the number of contributors and the possible presence of dealers, brokers and market makers;
- the frequency with which the listed figure is periodically updated, and the deviation from the previous quotation;

- the existence of an acceptable difference between the bid and ask prices;
- the volume of trade dealt with.

In particular, the prices used for financial statements valuations are:

- the bid price in the case of held assets;
- the ask price in the case of liabilities to be issued;
- the mid market price in the case where the risk profiles offset each other (the difference between the bid and ask prices is determined by transaction costs alone).

When the same financial instrument is listed on several markets, the most advantageous quotation is taken.

Unlisted instruments

If there are no directly observable prices in active markets, it is necessary to resort to valuation techniques that optimise the contribution of available information, either on the basis of the comparative approach, which infers the fair value of an instrument from the prices observed in similar transactions in active markets, or on the basis of a modelling approach that, even in the absence of observable or comparable transactions, nevertheless allows a valuation to be made. The techniques used have the following characteristics:

- tend to maximise the use of market inputs and minimise internal estimates and assumptions;
- reflect the manner in which the market assigns a price to instruments;
- use inputs that represent market expectations and the risk-return ratio of the instrument being valued;
- incorporate all factors that market participants would consider when defining price;
- are consistent with commonly accepted methodologies;
- are subject to periodic verification and calibration in order to verify their ability to represent fair value in line with the prices at which transactions in the instrument being valued actually take place, thus ensuring the comparability, reliability and neutrality of the process of defining the values of financial instruments required by the regulations.

Fair value hierarchy

The fair value hierarchy, according to IFRS 13, must be applied to all financial instruments for which fair value measurement is recognised in the Balance Sheet.

IFRS 13 establishes a fair value hierarchy based on the degree of observability of the inputs of the valuation techniques adopted for the valuation of underlying assets/liabilities; in particular, the hierarchy consists of three levels.

Level 1: the valuation is the market price of the financial instrument being valued, obtained on the basis of quotations from an active market. An active market is considered to be such if quotation prices reflect normal market transactions, are regularly and readily available through stock exchanges, quotation services, intermediaries and if those prices represent actual and regular market transactions.

Level 2: the valuation is based on prices derived from market quotations of similar assets or through valuation techniques for which all significant factors – including credit and liquidity spreads – are derived from observable market data. This level implies reduced discretionary elements in the valuation as all the parameters used are taken from the market and the calculation methodologies

allow for replication of quotations on active markets.

Level 3: valuations are made using different inputs, not all of which are derived directly from observable market parameters and, therefore, involve significant estimates and assumptions on the part of the valuer.

Cherry Bank S.p.A.'s criteria for assigning the hierarchical level of fair value to individual financial instruments in the proprietary portfolio are as follows:

Level 1: instruments that fulfil the following conditions:

- a quotation must be available;
- the quotation must refer exactly to the instrument being valued (not similar instruments);
- the quotation must be on an active market.

A market is considered active if the quotation prices reflect normal market transactions, are readily and regularly available and if the prices represent actual and regularly occurring market transactions based on a normal reference period.

The concept of active market is referable to the individual financial instrument; in fact, it does not necessarily coincide with the concept of a regulated market and may refer to organised trading circuits and multilateral trading facilities, even telematic ones, provided that the prices displayed on them are actually representative of trade.

A regulated or official market is generally considered an active market and the Bank considers as such:

all regulated markets;

- OTC electronic trading circuits (e.g. "Bloomberg") provided that the quotations provided actually represent the price at which a transaction would take place on the reference date. For this purpose, the following are considered:
 - existence of a number of contributors with executable proposals of a given instrument;
 - existence of a bid-ask spread, i.e. the difference between the price at which the intermediary quoting executable proposals undertakes to sell
 - the financial instrument (ask price) and the price at which it undertakes to purchase them; percentage ownership with respect to the outstanding notional amount, determined as the ratio between the notional amount of the outstanding position on the individual instrument and the relevant total outstanding notional amount.

These conditions are verified from time to time by Risk Management, taking into account the characteristics of the instrument being valued and the market context.

Level 2 and Level 3: in the absence of quotation prices in an active market, the fair value measurement of a financial instrument is performed using valuation techniques maximising the use of inputs observable on the market.

The use of a valuation technique is intended to estimate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, under current market conditions. In this case, the fair value measurement may be categorised in Level 2 or Level 3, according to what extent inputs to the pricing model are observable.

In the absence of observable prices in active markets for the financial asset or liability to be measured, the fair value of the financial instruments can be measured using the so-called

"comparable approach" (Level 2), requiring valuation models based on market inputs.

In this case, the valuation is not based on the quotation prices of the financial instrument being measured (identical asset), but on prices, credit spreads or other factors derived from the official quotation prices of instruments that are substantially similar in terms of risk factors and duration/return, using a given calculation method (pricing model).

In the absence of quotation prices in an active market for a similar instrument, or should the characteristics of the instrument to be measured not allow to apply models using inputs observable in active markets, it is necessary to use valuation models assuming the use of inputs that are not directly observable in the market and, therefore, requiring to make estimates and assumptions (non observable input – Level 3). In these cases, the valuation of the financial instrument is conducted using a given calculation methodology that is based on specific assumptions regarding:

- the trend in future cash flows, possibly contingent on future events whose probability of occurring can be derived from historical experience or based on behavioural assumptions;
- the level of specific inputs not quoted in active markets: for the purposes of estimating them, information acquired from prices and spreads observed in the market shall have a higher priority.

If these are not available, entities shall use historical data about the specific underlying risk factor or specialist research on the matter (e.g. reports by ratings agencies or primary market players).

In the cases described, valuation adjustments are considered that take into account the risk premiums that traders consider when pricing instruments. Valuation adjustments, if not explicitly considered in the valuation model, may include:

- model adjustments: adjustments that take into account any deficiencies in the valuation models highlighted during calibration;
- liquidity adjustments: adjustments that take into account the bid-ask spread if the model calculates a mid price;
- credit risk adjustments: adjustments related to the counterparty or own credit risk;
- other risk adjustments: adjustments related to a risk premium "priced" in the market (e.g. relating to the complexity of valuation of an instrument).

Section A 4 "Information on fair value" describes the criteria for determining fair value for particular categories of instruments belonging to Level 2 and Level 3.

Assets sold and not derecognised: securitisation transactions

Cherry Bank S.p.A. has a securitisation transaction called "Magnolia BTV" underwritten in July 2019 and March 2021 (size increase) whereby a pool of loans granted to small and medium-sized enterprises was sold to a special purpose vehicle. The main purpose of this operation is the generation of liquidity.

The receivables sold are recorded under the assets of Cherry Bank S.p.A. as the management of the sold assets has been maintained, since both the senior and junior tranches are held.

Repurchase agreements (REPOs)

Securities received in the context of transactions that contractually provide for a mandatory subsequent sale (repurchase agreements) and securities delivered in the context of a transaction that contractually provides for an obligation to repurchase (reverse repurchase agreements) are not recognised and/or derecognised from the financial statements.

Thus, the amount paid in the case of securities purchased with the obligation to resell is recognised under “receivables from customers or banks”; while the amount received in the case of securities sold with the obligation to repurchase is recognised under liabilities as “payables to customers or banks”. Interest is recorded on an accrual basis with reference to loans receivable and payables to customers/banks.

A 3 – INFORMATION ON TRANSFERS BETWEEN PORTFOLIOS OF FINANCIAL ASSETS

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

Type of financial instrument	Portfolio of provenance	Portfolio of destination	Date of reclassification	Reclassified book value	Interest income recorded in the year (pre-tax)
Debt securities	Financial assets measured at fair value through other comprehensive income	Financial assets measured at amortised cost	30.06.2022	123,483	//

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

Type of financial instrument	Portfolio of provenance	Portfolio of destination	Fair value 31.12.2021	Gains/Losses in the absence of transfer to the Income Statement (pre-tax)		Gains/Losses in the absence of transfer to equity (pre-tax)	
				31.12.2022	31.12.2021	31.12.2022	31.12.2021
Debt securities	Financial assets measured at fair value through other comprehensive income	Financial assets measured at amortised cost	121,919	-	-	(5,958)	(1,564)

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

On 1 January 2022, following a change in the business model approved by the delegated bodies in December 2021, the Bank reclassified from the category Financial assets measured at fair value through other comprehensive income to the category Financial assets measured at amortised cost government securities for a total balance sheet amount of Euro 121.9 million.

The change in business model took place as a result of the major extraordinary transaction that took place on 6 October 2021, through the merger by incorporation of Cherry 106 S.p.A. ("C106") into Banco delle Tre Venezie S.p.A. ("BTv"), which saw the entry of new shareholders into the Bank's share capital and a profound change in governance.

Following the integration, the new management initiated a review of the Bank's processes and policies, including the investment policy.

The change in business model concerned only fixed-rate government securities with maturity of more than 24 months, with a view to containing the impact of the volatility inherent in this type of security and consistent with the TLTRO's longer maturity, which requires securities to be pledged as collateral for the tranches subscribed. These securities are therefore intended to be held for the purpose of collecting principal and interest, as the Bank has no speculative strategies in holding these securities.

It should be noted that the amount of the gross reserve on these securities at the date of reclassification was negative Euro 1.6 million.

A 4 – INFORMATION ON FAIR VALUE

Qualitative information

Please refer to what has already been described in the paragraphs relating to the various accounting categories contained in part “A.1 General Part” and, in particular, in the paragraph “Methods of determining fair value” contained in part “A.2 Part related to the main items of the financial statement, 17 – Other information”.

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

Receivables from banks and customers

Receivables from customers or receivables from banks that have been recognised under item 20.c “Financial assets measured at fair value: other financial assets obligatorily measured at fair value” are measured at fair value as a result of not passing the “SPPI Test”. The approach used to determine the fair value rate is based on the “Weighted Average Cost of Capital” methodology; this technique is widely used in the financial sector and known in the literature by the acronym WACC.

NPL acquired from third parties

They are measured at fair value and recognised under item 30 “Financial assets measured at fair value through other comprehensive income”.

The fair value is determined by discounting the recovery flows defined according to proprietary models, or analytically by the manager. Loans are clustered into three distinct segments according to the “quality” of the underlying, i.e. paying, with proceedings in progress, etc. The estimated cash flows already discount the possible future non-recovery, the net flows are therefore discounted at a periodically revised discount rate.

The discount rate is assimilated to the rate of return an investor would like to obtain, and can be broken down into the following components:

- Risk free;
- Country risk;
- Expected loss;
- Illiquidity premium of the asset in the market;
- Premium that discounts the volatility of recovery flows compared to their average value.

The methodology applied to define the discount rates of the above-mentioned clusters therefore relies on the recovery of this information where it is not already included in the estimate of expected cash flows (i.e. multi-year expected loss).

Bonds

The inputs used for valuations are rate curves and prices of comparable transactions, if any.

Capital securities

The fair value of “equity investments” is determined with reference to prices resulting from external, independent appraisals or based on exchange prices derived from recent transactions; if the amount is insignificant, investments are maintained at cost, as are other capital securities.

Mutual investment funds

For “open-ended” mutual investment funds, in which unitholders have the right to request redemption of units at any time, and for hedge funds, fair value is determined on the basis of quotation prices provided by the respective Management Companies on dates consistent with the prices of the underlying financial instruments. In the case of listed “closed-ended” or private equity funds, fair value is usually determined using the latest published NAV.

Derivative instruments

The fair value of derivative instruments is determined through the use of different valuation models depending on the type of instrument:

- volatility estimation models were used to determine the fair value of options;
- the discounted cash flow method was used for the fair value of swaps.

The valuations thus determined were adjusted by the amounts corresponding to the counterparty's creditworthiness assessments (counterparty risk): this is the so-called “credit risk adjustment”, calculated on the basis of the rating class of the counterparties and their expected loss.

Payables to banks and customers

Fair value is determined as the present value of the debt, based on the rate curves used as discount factors.

Securities issued

The fair value is determined using the rates corresponding to the prices calculated for the repurchases of its own issues.

Financial liabilities held for trading

Financial instruments classified as financial liabilities held for trading are allocated to the different levels according to the general allocation rules.

A 4.2 Processes and sensitivity of evaluations

The unobservable inputs capable of influencing the valuation of the instruments classified in Level 3 are mainly represented by estimates and assumptions underlying the models used to measure investments in capital securities and UCITS units. Since this involves data from third party sources (e.g. fund NAV) or information specific to the entities being valued (e.g. company assets) for which it is not reasonable to predict alternative values, sensitivity analyses are not applied to these valuations. With regard to NPL assets acquired from third parties, sensitivity exercises are performed in order to assess the impact of changes in certain parameters, in particular the discount rates used to discount cash flows.

A 4.3 Fair value hierarchy

For the purposes of compiling information on transfers between different levels of fair value, the criterion adopted for recognising the transfer is the balance existing at the beginning of the reporting period, compared with the end-of-period balance shown in tables A.4.5.1 or A.4.5.4.

A 4.4 Other information

At 31 December 2022, there was no information to be reported in accordance with IFRS 13, paragraphs 51, 93 sub (i) and 96, as there are no assets measured at fair value on a “highest and best use” basis, nor was the possibility of measuring fair value at the level of total portfolio exposures.

Quantitative information

A 4.5 FAIR VALUE HIERARCHY

A 4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by fair value level

(amounts in thousands of Euro)

Financial assets/liabilities measured at fair value	31/12/2022			31/12/2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets measured at fair value through profit or loss	-	356	1,297	-	-	1,015
a) Financial assets held for trading	-	356	-	-	-	-
b) Financial assets designated at fair value	-	-	-	-	-	-
c) Other financial assets obligatorily measured at fair value	-	-	1,297	-	-	1,015
2. Financial assets measured at fair value through other comprehensive income	124,901	-	44,565	356,109	-	50,217
3. Hedging derivatives	-	-	-	-	-	-
4. Tangible assets	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total assets	124,901	356	45,862	356,109	-	51,232
1. Financial liabilities held for trading	-	291	-	-	64	-
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
Total liabilities	-	291	-	-	64	-

Changes in fair value levels may only occur upon fulfilment of the requirements set out in paragraph A.4.3.

There are no transfers between Level 1 and Level 2.

Level 3 financial assets measured at fair value through other comprehensive income refer to UCITS units, Minibonds and NPL.

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

(amounts in thousands of Euro)

	Financial assets measured at fair value through profit or loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Tangible assets	Intangible assets
	Total	of which: financial assets held for trading	of which: financial assets designated at fair value	of which: other financial assets obligatorily measured at fair value				
1. Opening balance	1,015	--	-	1,015	50,217	-	-	-
2. Increases	586	124	-	463	11,626	-	-	-
2.1 Purchases	583	120	-	463	321	-	-	-
2.2 Profits recognised in:	-	-	-	-	10,668	-	-	-
2.2.1 Income Statement	-	-	-	-	10,668	-	-	-
of which gains	-	-	-	-	-	-	-	-
2.2.2 Equity	-	-	-	-	-	-	-	-
2.3 Transfers from other levels	-	-	-	-	569	-	-	-
2.4 Other increases	4	4	-	-	68	-	-	-
3. Decreases	304	124	-	180	17,278	-	-	-
3.1 Sales	185	124	-	62	1,766	-	-	-
3.2 Repayments	-	-	-	-	13,176	-	-	-
3.3 Losses recognised in:	118	-	-	118	2,224	-	-	-
3.3.1 Income Statement	118	-	-	118	-	-	-	-
of which losses	118	-	-	118	-	-	-	-
3.3.2 Equity	-	-	-	-	2,224	-	-	-
3.4 Transfers to other levels	-	-	-	-	-	-	-	-
3.5 Other decreases	0	-	-	0	112	-	-	-
4. Closing balance	1,297	-	-	1,297	44,565	-	-	-

A 4.5.3 Annual changes in financial liabilities measured at fair value on a recurring basis (Level 3)

There are no financial liabilities measured at fair value.

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

(amounts in thousands of Euro)

Financial assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	31/12/2022				31/12/2021			
	Book value	Level 1	Level 2	Level 3	Book value	Level 1	Level 2	Level 3
1. Financial assets measured at amortised cost	715,413	185,031	-	515,531	511,239	42,862	-	468,376
2. Tangible assets held for investment purposes	-	-	-	-	-	-	-	-
3. Non-current assets and groups of assets held for sale	-	-	-	-	-	-	-	-
Total	715,413	185,031	-	515,531	511,239	42,862	-	468,376
1. Financial liabilities measured at amortised cost	987,295	-	-	976,657	943,317	-	-	943,317
2. Liabilities associated with assets held for sale	-	-	-	-	-	-	-	-
Total	987,295	-	-	976,657	943,317	-	-	943,317

A.5 DISCLOSURE ON THE “DAY ONE PROFIT/LOSS”

The disclosure refers to paragraph 28 of IFRS 7, which requires evidence of the amount of the “day one profit or loss” to be recognised in the Income Statement at the end of the financial year, as well as a reconciliation to the opening balance.

A “day one profit or loss” is defined as the difference between the transaction price and the value obtained through the use of valuation techniques at the time a financial instrument is first recorded. The Bank has not entered into any transactions that should be the subject of this disclosure.

PART B – INFORMATION ON THE BALANCE SHEET

ASSETS

Section 1. CASH AND CASH EQUIVALENTS – ITEM 10

1.1 Cash and cash equivalents: breakdown

(amounts in thousands of Euro)		
	31/12/2022	31/12/2021
a) Cash	-	-
b) Current accounts and Sight deposits with Central Banks	-	-
c) Current accounts and Sight deposits with Banks	32,669	25,612
Total	32,669	25,612

Section 2. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS – ITEM 20

2.1 Financial assets held for trading: breakdown by type

Items/Values	31/12/2022			31/12/2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. On-balance sheet assets	-	-	-	-	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Capital securities	-	-	-	-	-	-
3. UCITS units	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total A	-	-	-	-	-	-
B. Derivative instruments	-	-	-	-	-	-
1. Financial derivatives	-	-	-	-	-	-
1.1 for trading	-	-	356	-	-	-
1.2 related to the fair value option	-	-	-	-	-	-
1.3 others	-	-	-	-	-	-
2. Financial derivatives	-	-	-	-	-	-
2.1 for trading	-	-	-	-	-	-
2.2 related to the fair value option	-	-	-	-	-	-
2.3 others	-	-	-	-	-	-
Total B	-	-	356	-	-	-
Total A+B	-	-	356	-	-	-

2.2 Financial assets held for trading: breakdown by debtors/issuers

Items/Values	31/12/2022	31/12/2021
A. On-balance sheet assets	-	-
1. Debt securities	-	-
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
2. Capital securities	-	-
a) Banks	-	-
b) Other financial companies	-	-
of which: insurance companies	-	-
c) Non-financial companies	-	-
d) Other issuers	-	-
3. UCITS units	-	-
4. Loans	-	-
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total A	-	-
B. Derivative instruments	356	-
a) Central Counterparties	-	-
b) Others	356	-
Total B	356	-
Total A+B	356	-

2.5. Other financial assets obligatorily measured at fair value: breakdown by type

(amounts in thousands of Euro)

Items/Values	31/12/2022			31/12/2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	-	-	-	-	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Capital securities	-	-	8	-	-	8
3. UCITS units	-	-	1,289	-	-	1,007
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total	-	-	1,297	-	-	1,015

Financial assets obligatorily measured at fair value at Level 3 refer to the investment in CARIGE held through the FITD in the amount of Euro 8 thousand and the PMI Italia II Fund in the amount of Euro 1,289 thousand.

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

(amounts in thousands of Euro)

Items/Values	31/12/2022	31/12/2021
1. Capital securities	8	8
of which: banks	-	-
of which: other financial companies	-	-
of which: non-financial companies	8	8
2. Debt securities	-	-
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
3. UCITS units	1,289	1,007
4. Loans	-	-
c) Central Banks	-	-
d) Public Administrations	-	-
e) Banks	-	-
f) Other financial companies	-	-
g) of which: insurance companies	-	-
h) Non-financial companies	-	-
i) Households	-	-
Total	1,297	1,015

Section 3 – FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME – ITEM 30

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

(amounts in thousands of Euro)

Items/Values	31/12/2022			31/12/2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Debt securities	124,901	-	2,998	356,109	-	5,097
1.1. Structured securities	-	-	406	754	-	-
1.2. Other debt securities	124,901	-	2,592	355,356	-	5,097
Capital securities	-	-	-	-	-	-
Loans	-	-	41,567	-	-	45,120
Total	124,901	-	44,565	356,109	-	50,217

Debt securities include Government Securities in the amount of Euro 125 million, Minibonds in the amount of Euro 2 million and ABS securities in the amount of Euro 1 million.

The decrease compared to the previous year is mainly due to the reclassification on 1 January 2022 of fixed-rate government securities with a maturity of more than 24 months under Receivables from customers in the amount of Euro 121.9 million, following the change of business model from HTC&S to HTC.

The item Loans includes acquired impaired loans arising from one of the Bank's core activities.

It should be noted that on 31 January 2023, the Board of Directors of the Bank resolved on a change of business model for the NPL Investment & Management Business Unit in relation to NPL, i.e. to adopt a Hold to Collect business model instead of Hold to Collect and Sell.

The Bank therefore proceeded to recognise in the item Financial assets measured at amortised cost the NPL portfolios acquired during the year but which, at the date of the decision, had not yet passed the on-boarding phase.

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

(amounts in thousands of Euro)

Items/Values	31/12/2022	31/12/2021
1. Debt securities	127,899	361,206
a) Central Banks	-	-
b) Public Administrations	124,901	353,155
c) Banks	-	-
d) Other financial companies	1,184	5,264
of which: insurance companies	-	-
d) Non-financial companies	1,814	2,787
2. Capital securities	-	-
a) Banks	-	-
b) Other financial companies	-	-
of which: insurance companies	-	-
- Non-financial companies	-	-
- Other issuers	-	-
4. Loans	41,567	45,120
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	1
d) Other financial companies	19	21
of which: insurance companies	-	-
e) Non-financial companies	10,111	10,287
f) Households	31,437	34,811
Total	169,466	406,326

Debt securities are broken down as follows:

- the item Public Administrations includes government securities (BOT-CCT);
- the item financial companies includes a Minibond and an ABS security;
- the item non-financial companies includes four Minibonds in the automotive and construction sectors.

3.3 Financial assets measured at fair value through other comprehensive income: gross value and total impairment

Items/Values	Gross value					Total impairment				Total partial write-offs (*)
	First stage		Second stage	Third stage	Purchased or originated impaired	First stage	Second stage	Third stage	Purchased or originated impaired	
		of which instruments with low credit risk								
1. Debt securities	127,972	127,972	-	-	-	(73)	-	-	-	-
2. Loans	-	-	-	-	41,567	-	-	-	-	-
of which: business combination	-	-	-	-	-	-	-	-	-	-
Total 31/12/2022	127,972	127,972	-	-	41,567	(73)	-	-	-	-
Total 31/12/2021	361,321	361,321	-	-	45,120	(115)	-	-	-	(35)

Purchased or Originated Credit Impaired Assets are presented net of total impairment because the expected cash flows also incorporate in the estimate the expected losses over the entire residual life of the financial instrument ("ECL lifetime").

3.4 Loans measured at fair value through other comprehensive income subject to Covid-19 support measures: gross value and total impairment

At 31.12.2022, Cherry Bank had no loans to be recognised under this item.

Section 4 – FINANCIAL ASSETS MEASURED AT AMORISED COST – ITEM 40

4.1 Financial assets measured at amortised cost: breakdown by type of receivables from banks

(amounts in thousands of Euro)

TYPE OF TRANSACTIONS/VALUES	TOTAL 31/12/2022						TOTAL 31/12/2021					
	Book value			Fair value			Book value			Fair value		
	First and second stage	Third stage	Of which: purchased or originated impaired	L1	L2	L3	First and second stage	Third stage	Of which: purchased or originated impaired	L1	L2	L3
A. Receivables from Central Banks	-	-	-	-	-	-	-	-	-	-	-	-
1. Term deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Compulsory reserve	-	-	-	X	X	X	-	-	-	X	X	X
3. Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
4. Others	-	-	-	X	X	X	-	-	-	X	X	X
B. Receivables from banks	6,219	-	-	-	-	-	6,879	-	-	-	-	-
1. Loans	6,219	-	-	-	-	-	6,879	-	-	-	-	-
1.1 Current accounts and sight deposits	-	-	-	X	X	X	-	-	-	X	X	X
1.2. Term deposits	6,219	-	-	X	X	X	6,879	-	-	X	X	X
1.3. Other loans:	-	-	-	X	X	X	-	-	-	X	X	X
- Repurchase agreements	-	-	-	X	X	-	-	-	-	X	X	X
- Financing for leases	-	-	-	X	X	-	-	-	-	X	X	X
- Others	-	-	-	X	X	-	-	-	-	X	X	X
2. Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
2.1. Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Other debt securities	-	-	-	-	-	-	-	-	-	-	-	-
Total	6,219	-	-	-	-	6,219	6,879	-	-	-	-	6,879

Legend:

L1= Level 1

L2= Level 2

L3 = Level 3

Receivables from banks includes the Compulsory reserve in the amount of Euro 5.5 million as Cherry Bank is an indirect member.

4.2 Financial assets measured at amortised cost: breakdown by type of receivables from customers

(amounts in thousands of Euro)

TYPE OF TRANSACTIONS/ VALUES	31/12/2022						31/12/2021					
	Book value			Fair value			Book value			Fair value		
	First and second stage	Third stage	Purchase or originated impaired	L1	L2	L3	First and second stage	Third stage	Purchased or originated impaired	L1	L2	L3
Loans	437,288	18,578	43,470	-	-	504,280	421,290	5,189	35,019	-	-	461,498
1.1. Current accounts	41,868	3,468	1,994	-	-	-	40,054	360	8,545	-	-	-
1.2. Repurchase agreements	-	-	-	-	-	-	-	-	-	-	-	-
1.3. Mortgages	325,835	11,089	20,958	-	-	-	329,275	-	26,474	-	-	-
1.4. Credit cards, personal loans and salary-backed loans	274	33	-	-	-	-	367	48	-	-	-	-
1.5. Finance leases	-	-	-	-	-	-	-	-	-	-	-	-
1.6. Factoring	776	-	-	-	-	-	-	-	-	-	-	-
1.7. Other loans	68,535	3,989	20,518	-	-	-	51,594	4,781	-	-	-	-
Debt securities	209,857	-	-	185,031	-	5,031	42,862	-	-	42,609	-	-
1.1. Structured securities	4,930	-	-	-	-	5,031	-	-	-	-	-	-
1.2. Other debt securities	204,927	-	-	185,031	-	-	42,862	-	-	42,609	-	-
Total	647,145	18,578	43,470	185,031	-	509,311	464,152	5,189	35,019	42,609	-	461,498

Legend:

L1= Level 1

L2= Level 2

L3 = Level 3

The column "Purchased and/or originated impaired" includes Euro 22.9 million of impaired assets in the financial statements of Banco delle Tre Venezie S.p.A. at the time of the business combination, which are recognised, in accordance with the provisions of IFRS 9, at their fair value at the acquisition date, which already incorporates the effects of expected losses over the useful life of the asset. These assets belong to the so-called POCI ("Purchased or Originated Credit Impaired") category and therefore the coverage ratios are essentially zero.

The column "Purchased and/or originated impaired" – "other loans" also includes, for Euro 19.7 million, the NPL portfolios subject to the change of business model resolved by the Board of Directors on 31.01.2023 or the portfolios acquired during the year but which, at the date of the decision, had not yet passed the on-boarding phase.

4.3 Financial assets measured at amortised cost: breakdown by debtor/issuer of receivables from customers

(amounts in thousands of Euro)

TYPE OF TRANSACTIONS/VALUES	31/12/2022			31/12/2021		
	First and second stage	Third stage	of which: purchased or originated impaired assets	First and second stage	Third stage	of which: purchased or originated impaired assets
1. Debt securities	209,857	-	-	42,862	-	-
a) Public Administrations	204,927	-	-	42,862	-	-
b) Other financial companies	4,930	-	-	-	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	-	-	-	-	-	-
2. Loans to:	437,288	18,578	43,470	421,290	5,189	35,019
A) Public Administrations	-	-	-	-	-	-
b) Other financial companies	37,265	243	-	10,673	285	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	346,605	9,506	7,458	357,097	-	31,743
d) Households	53,417	8,829	36,012	53,520	4,904	3,276
Total	647,145	18,578	43,470	464,152	5,189	35,019

Debt securities consist of Government Securities and a Minibond.

The increase compared to the previous year is mainly due to the reclassification of fixed-rate Government Securities with a maturity of more than 24 months to Receivables from customers on 1 January 2022 in the amount of Euro 123.5 million, following the change of business model from HTC&S to HTC.

4.4 Financial assets measured at amortised cost: gross value and total impairment

(amounts in thousands of Euro)

(amounts in thousands of Euro)

	Gross value					Total impairment				Total partial write-offs (*)
	First stage		Second stage	Third stage	Purchased or originated impaired	First stage	Second stage	Third stage	Purchased or originated impaired	
		of which: Instruments with low credit risk								
Debt securities	210,003	210,003	-	-	-	(146)	-	-	-	-
Loans	412,638	4,701	34,962	22,443	43,070	(2,903)	(1,409)	(3,865) ¹	-	-
Total 31/12/2022	622,860	214,704	34,962	22,443	43,470	(3,049)	(1,409)	(3,865)	-	-
Total 31/12/2021	439,037	42,872	29,056	6,802	35,019	(2,516)	(1,425)	(1,612)	-	-

¹ Impairment relating only to post-business combination positions and, therefore, not included in the POCL category

(*) Value to be reported for information purposes

4.4a Loans measured at amortised cost subject to Covid-19 support measures: gross value and total impairment

(amounts in thousands of Euro)

(amounts in thousands of Euro)

Items/Values	Gross value					Total impairment				Total partial write-offs (*)
	First stage		Second stage	Third stage	Purchased or originated impaired	First stage	Second stage	Third stage	Purchased or originated impaired	
	First stage	of which: Instruments with low credit risk								
1. Loans granted in accordance with GL	-	-	-	-	-	-	-	-	-	-
2. Outstanding loans no longer compliant with GL and not assessed as having been granted	-	-	-	-	-	-	-	-	-	-
3. Loans subject to other granting measures	-	-	-	-	-	-	-	-	-	-
4. New loans	138,796	-	5,845	5,370	-	(371)	(122)	(676)	-	-
Total 31/12/2022	138,796	-	5,845	5,370	-	(371)	(122)	(676)	-	-
Total 31/12/2021	1,291	-	34	-	-	(5)	(1)	-	-	-

Section 7 – INVESTMENTS – ITEM 70

7.1 Investments: information on shareholding relationships

	Registered Office	Operational Office	Shareholding %	Availability Votes %
A. Wholly-controlled companies				
1. CHERRY S.R.L.	MILAN	MILAN	100	100
B. Joint ventures				
B. Companies subject to significant influence				

Investments are held as they are considered complementary to the Bank's activities.
Investments were not consolidated due to insignificance.

7.4 Non-significant investments: accounting information

(amounts in thousands of Euro)

	Book value of investments	Total assets	Total liabilities	Total revenues	Gains (Losses) on continuing operations net of taxes	Profit (Loss) of groups of assets held for sale net of taxes	Profit (Loss) for the year (1)	Other income components net of taxes (2)	Other comprehensive income (3) = (1) + (2)
A. Wholly-controlled companies	1,000	2,574	404	1,325	14	X	14	X	14
B. Joint ventures									
B. Companies subject to significant influence									

7.5 Investments: changes in the year

(amounts in thousands of Euro)

	31/12/2022	31/12/2021
A. Opening balance	1,000	-
B. Increases	-	-
B.1 Purchases	-	1,000
<i>of which business combinations</i>	-	1,000
B.2 Reversals	-	-
B.3 Revaluations	-	-
B.4 Other changes	-	-
C. Decreases	-	-
C.1 Sales	-	-
C.2 Impairment	-	-
C.3 Write-downs	-	-
C.4 Other changes	-	-
D. Closing balance	1,000	1,000
E. Total revaluations	-	-
F. Total impairment	-	-

The investments were acquired following the merger by incorporation of Cherry106 S.p.A.

Section 8 – TANGIBLE ASSETS – ITEM 80

8.1 Tangible assets for functional use: breakdown of assets measured at cost

Assets for functional use are all fixed assets held to be used directly in the Bank's core business, while assets held for investment purposes are those that do not have the above-mentioned characteristics and are held with the aim of earning rental income and/or for long-term capital appreciation.

(amounts in thousands of Euro)

Assets/Values	31/12/2022	31/12/2021
1 Owned assets	7,583	6,355
a) land	2,000	2,000
b) buildings	4,328	3,355
c) furniture	396	308
d) electronic equipment	397	318
e) others	462	374
2 Rights of use acquired through leases	3,623	3,118
a) land	-	-
b) buildings	3,417	2,950
c) furniture	-	-
d) electronic equipment	-	-
e) others	206	168
Total A	11,206	9,473
of which: obtained through enforcement of guarantees received	-	-

As a result of the introduction of the accounting standard IFRS 16, which applies to "leases" understood as contracts that grant the lessee the right to use an identified asset for a specified period of time in return for a consideration, under item 2 are the rights of use recorded in connection with real estate leases in the amount of Euro 3.4 million and company cars in the amount of Euro 206 thousand.

The increase in fixed assets is mainly attributable to new purchases to support the development of the organisational structure.

The item Buildings includes a building for functional use acquired at the end of 2021 and not yet in use. The building area on which this property stands is indicated under Land.

8. 6 Tangible assets for functional use: changes in the year

(amounts in thousands of Euro)

	Land	Buildings	Furniture	Electronic equipment	Others	Total
A. Gross opening balance	2,000	7,744	780	477	1,188	12,189
A.1 Total net impairment	-	1,439	472	159	646	2,716
A.2 Net opening balances	2,000	6,305	308	318	542	9,473
B. Increases	-	2,048	143	190	301	2,683
B.1 Purchases	-	2,048	143	190	288	2,669
of which business combinations	-	-	-	-	-	-
B.2 Capitalised improvement expenses	-	-	-	-	-	-
B.3 Reversals	-	-	-	-	-	-
B.4 Positive changes in fair value recognised in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive exchange rate differences	-	-	-	-	-	-
B.6 Reclassified from property held for investment	-	-	-	-	-	-
B.7 Other changes	-	158	-	-	14	172
C. Decreases	-	767	55	111	175	949
C.1 Sales	-	-	-	-	2	2
C.2 Depreciation	-	767	55	111	173	1,105
C.3 Impairment recognised in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Negative changes in fair value recognised in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange rate differences	-	-	-	-	-	-
C.6 Reclassified to:	-	-	-	-	-	-
a) tangible assets held for investment	-	-	-	-	-	-
b) non-current assets and groups of assets held for sale	-	-	-	-	-	-
C.7 Other changes	-	-	-	-	-	-
D. Net closing balance	2,000	7,745	396	397	668	11,206
D.1 Total net impairment	-	2,048	527	260	734	3,568
D.2 Gross closing balance	2,000	9,792	923	657	1,403	14,775
E. Valuation at cost	-	-	-	-	-	-

Other information on "Tangible assets"

The table below shows the useful life used in the calculation of depreciation for the various asset classes:

Category	IAS Dep. Months of useful life
Buildings	30
Alarm systems and television recording	40
Special communication equipment	48
Ordinary office furniture and equipment	100
Furniture and various equipment	80
Telephone and mobile phone systems	60
Electronic machines and data processing systems	60
Lifting equipment and means	160
Vehicles for mixed use by employees	48
Vehicles for mixed use by Directors	48

Section 9 – INTANGIBLE ASSETS – ITEM 90

9.1 Intangible assets: breakdown by type of asset

ASSETS/VALUES	(amounts in thousands of Euro)			
	31/12/2022		31/12/2021	
	Defined duration	Indefinite duration	Defined duration	Indefinite duration
A.1 Goodwill	-	-	-	-
A.2 Other intangible assets	2,410	-	1,302	-
of which: software	2,183	-	1,004	-
A.2.1 Assets measured at cost	2,410	-	1,302	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	2,410	-	1,302	-
A.2.2 Assets measured at fair value	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	2,410	-	1,302	-

Intangible assets mainly consist of software expenses and software licences for application systems in use.

The increase is mainly attributable to new investments in software to support the organisational structure.

9.2 Intangible assets: changes in the year

(amounts in thousands of Euro)

	Goodwill	Other internally generated intangible assets		Other intangible assets: Others		Total
		Definite duration	Indefinite duration	Definite duration	Indefinite duration	
A. Opening balance	-	-	-	1,807	-	1,807
A.1 Total net impairment	-	-	-	505	-	505
A.2 Net opening balances	-	-	-	1,302	-	1,302
B. Increases	-	-	-	1,870	-	1,870
B.1 Purchases	-	-	-	1,870	-	1,870
of which business combinations	-	-	-	-	-	-
B.2 Increases in internal intangible assets	-	-	-	-	-	-
B.3 Reversals	-	-	-	-	-	-
B.4 Positive changes in fair value	-	-	-	-	-	-
- in equity	-	-	-	-	-	-
- in income statement	-	-	-	-	-	-
B.5 Positive exchange rate differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	-	-	-	762	-	762
C.1 Sales	-	-	-	-	-	-
C.2 Impairment	-	-	-	637	-	637
- Amortisation	-	-	-	637	-	637
- Write-downs	-	-	-	-	-	-
+ equity	-	-	-	-	-	-
+ income statement	-	-	-	-	-	-
C.3 Negative changes in fair value	-	-	-	-	-	-
- in equity	-	-	-	-	-	-
- in income statement	-	-	-	-	-	-
C.4 Reclassified to non-current assets held for sale	-	-	-	-	-	-
C.5 Negative exchange rate differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	125	-	125
D. Net closing balance	-	-	-	2,410	-	2,410
D.1 Total net impairment	-	-	-	1,135	-	1,135
E. Gross closing balance	-	-	-	3,545	-	3,545
F. Valuation at cost	-	-	-	-	-	-

Legend

DEF: definite duration

INDEF: indefinite duration

Amortisation of intangible assets is calculated at a rate of 20%.

Sub-item "F – Valuation at cost" is not reported because, as per Bank of Italy instructions, its compilation is only required for intangible assets measured at fair value.

Section 10 – TAX ASSETS AND TAX LIABILITIES – ASSETS ITEM 100 AND LIABILITIES ITEM 60

10.1 Deferred tax assets: breakdown

(amounts in thousands of Euro)		
	31/12/2022	31/12/2021
Loan impairment	2,895	3,391
Tax loss	1,587	796
Negative Net Production value	0	21
A.C.E. – aid to economic growth	0	109
FTA loan impairment IFRS 9	732	843
Provisions for risks	2	24
Other	54	12
Financial assets FVOCI	293	573
TFR IAS	0	13
Total	5,563	5,782

DTA amounted to Euro 5,563 thousand.

DTA on past losses, which had not been recognised in previous years, were recognised in view of the positive outcome of the probability test conducted.

10.2 Deferred tax liabilities: breakdown

(amounts in thousands of Euro)		
	31/12/2022	31/12/2021
Default interest not collected	186	103
FITD intervention – Carige	3	3
Financial assets FVOCI	3	51
TFR IAS	8	0
FVOCI loans (NPL) – Equity reserve	875	1,548
FVOCI loans (NPL) – EC Reversals/Impairment	1,241	189
Total	2,317	1,894

DTL amounted to Euro 2,317 thousand. DTL of Euro 2,117 thousand are recognised in relation to NPL valued at FVOCI. This amount refers in part (Euro 875 thousand) to the OCI reserve recognised in equity, and in part (Euro 1,241 thousand) to reversals/impairment on NPL recognised in 2021 and 2022 in item 130.b of the Income Statement, in accordance with the approach suggested by the Revenue Agency in the response to a query specifically submitted by the Bank in 2022.

10.3. Change in deferred tax assets (balancing entry in Income Statement)

(amounts in thousands of Euro)

	31/12/2022	31/12/2021
1. Opening balance	4,352	4,938
2. Increases	3,093	301
2.1 Deferred tax assets recognised in the year	918	301
a) relating to previous years	918	-
b) due to changes in accounting criteria	-	-
c) reversals	-	-
d) others	-	301
e) business combinations	-	-
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	2,175	-
3. Decreases	2,907	887
3.1 Deferred tax assets derecognised in the year	584	8
a) reversals	584	8
b) write-downs for non-recoverability	-	-
c) change in accounting criteria	-	-
d) others	-	-
3.2 Tax rate reductions	-	-
3.3 Other decreases	2,323	879
a) transformation into tax credits pursuant to Law No. 214/2011	148	791
b) others	2,175	88
4. Closing balance	4,538	4,352

With the submission of the Tax Return Form and the 2021 IRAP Form, the Bank converted the DTA allocated on the tax loss and negative production value determined by the reversal of DTA on impairment of receivables from customers not deducted in previous years into a tax credit, pursuant to Art. 2, paragraph 56-bis and paragraph 56-bis.1 of Decree Law No. 225/2010.

10.3.bis Changes in deferred tax assets under Law No. 214/2011

(amounts in thousands of Euro)

	31/12/2022	31/12/2021
1. Opening balance	3,403	4,194
2. Increases		148
3. Decreases	577	939
3.1 reversals	429	148
3.2 transformation into tax credits	148	791
a) resulting from losses of the year		472
b) resulting from tax losses	148	319
3.3 Other decreases	-	-
4. Closing balance	2,826	3,403

Deferred tax assets under Law No. 214/2011 relate to impairment of receivables from customers that were not deducted for IRES and IRAP purposes in previous years, as well as the tax loss and negative net production value for IRAP purposes that can be converted into a tax credit pursuant to Art. 2, paragraph 56-bis and 56-bis.1 of Decree Law No. 225/2010.

10.4 Changes in deferred tax liabilities (balancing entry in Income Statement)

(amounts in thousands of Euro)

	31/12/2022	31/12/2021
1. Opening balance	295	484
2. Increases	1,136	121
2.1 Deferred tax liabilities recognised in the year	1,136	-
a) relating to previous years	899	-
b) due to changes in accounting criteria	-	-
c) others	237	-
e) business combinations	-	121
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
3. Decreases	-	310
3.1 Deferred tax liabilities derecognised in the year	-	125
a) reversals	-	125
b) due to changes in accounting criteria	-	-
c) others	-	-
3.2 Tax rate reductions	-	-
3.3 Other decreases	-	185
4. Closing balance	1,431	295

10.5 Changes in deferred tax assets (balancing entry in equity)

(amounts in thousands of Euro)

	31/12/2022	31/12/2021
1. Opening balance	1,429	1,075
2. Increases	-	576
2.1 Deferred tax assets recognised in the year	-	565
a) relating to previous years	-	-
b) due to changes in accounting criteria	-	-
c) others	-	565
d) business combinations	-	11
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
3. Decreases	404	222
3.1 Deferred tax assets derecognised in the year	293	111
a) reversals	293	111
b) write-downs for non-recoverability	-	-
c) due to changes in accounting criteria	-	-
d) others	-	-
3.2 Tax rate reductions	-	-
3.3 Other decreases	111	111
4. Closing balance	1,025	1,429

The amounts refer to the taxation on negative reserves arising from the valuation of the securities portfolio in financial assets through other comprehensive income and the IFRS 9 FTA loan impairment.

10.6 Changes in deferred tax liabilities (balancing entry in equity)

	(amounts in thousands of Euro)	
	31/12/2022	31/12/2021
1. Opening balance	1,599	400
2. Increases	-	1,199
2.1 Deferred tax liabilities recognised in the year	-	1,199
a) relating to previous years	-	-
b) due to changes in accounting criteria	-	-
c) others	-	286
e) business combinations	-	913
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
3. Decreases	713	-
3.1 Deferred tax liabilities derecognised in the year	713	-
a) reversals	713	-
b) due to changes in accounting criteria	-	-
c) others	-	-
3.2 Tax rate reductions	-	-
3.3 Other decreases	-	-
4. Closing balance	886	1,599

The amounts refer to taxation on the positive reserve arising from the valuation of the portfolio in financial assets through other comprehensive income and on the positive reserve referring to NPL measured at fair value through other comprehensive income.

10.7 Other information

Current tax assets

The breakdown of current tax assets is shown below:

	(amounts in thousands of Euro)	
	31/12/2022	31/12/2021
Withholding taxes	7	2
Tax Cred. – subsidised goods Law No. 178/2020	63	13
Credits for converting DTA into tax credits under Law No. 214/2011	517	792
IRES additional credit	89	2
IRES credit	774	174
IRAP credit	246	19
Total current tax assets	1,696	1,002

Current tax liabilities

The breakdown of current tax liabilities is shown below:

	(amounts in thousands of Euro)	
	31/12/2022	31/12/2021
Provision for Current Taxes IRES + Add.	322	225
Provision for Current Taxes IRAP	685	-
Total current tax liabilities	1,007	225

Section 12 – OTHER ASSETS – ITEM 120

12.1 Other assets: breakdown

	(amounts in thousands of Euro)	
	31/12/2022	31/12/2021
Sundry debtors for commission income	912	424
Current account cheques drawn on other institutions	52	747
Receivables for invoices to be collected	198	36
Items in transit receivable	8,916	1,201
Third-party effects in portfolio	2,199	4,011
Non-collectable interest income	1,826	2,081
Receivables from tax authorities on behalf of third parties	1,104	611
Accrued assets	15	961
Deferred assets	1,788	2,221
Tax credits	24,192	30,260
Other items	106,050	1,549
Total	147,253	44,102

The most significant items are discussed below:

Items in transit receivable

This item mainly comprises transfers in process.

Third-party effects in portfolio

This item refers mainly to invoices and Ri.ba bank transfers subject to advances.

Anatocism interest income

Article 120, paragraph 2 of the Consolidated Banking Act (as amended by Law No. 49 of 08.04.2016) and the subsequent resolution of the CICR issued on 03.08.2016 sanctioned the prohibition of the production of interest on interest, and established new provisions concerning the methods and criteria for the production thereof.

Debit interest accrued on 31 December for current accounts, overdraft or overrunning credit facilities becomes due on 1 March of the year following the year in which it accrued. On the other hand, they are immediately due in the event of the definitive termination of the relationship.

Tax Credits

This item includes the Tax Credits acquired as part of the Ecobonus operation of which:

Euro 14,567 thousand – Tax Credits acquired and not yet offset;

Euro 9,625 thousand – Tax Credits acquired and not yet returned at 31.12.2022.

Other items

This item includes receivables from assignees for tax credits in the amount of Euro 98,884 thousand.

LIABILITIES

Section 1 – FINANCIAL LIABILITIES MEASURED AT AMORISED COST – ITEM 10

1.1 Financial liabilities measured at amortised cost: breakdown by type of payables to banks

(amounts in thousands of Euro)

TYPE OF SECURITIES/VALUES	31/12/2022				31/12/2021			
	Book value	Fair value			Book value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Payables to Central Banks	302,206	X	X	X	247,761	X	X	X
2. Payables to banks	14,970	X	X	X	-	X	X	X
2.1 Current accounts and sight deposits	-	X	X	X	-	X	X	X
2.2 Term deposits	-	X	X	X	-	X	X	X
2.3 Loans	14,970	X	X	X	-	X	X	X
2.3.1 Reverse repurchase agreements	14,970	X	X	X	-	X	X	X
2.3.2 Others	-	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 payables	-	X	X	X	-	X	X	X
2.6 Other payables	-	X	X	X	-	X	X	X
Total	317,176			317,176	247,761			247,761

Payables to Central Banks are represented by long-term refinancing operations (so-called TLTRO-III) for Euro 222,189 thousand and a short-term refinancing operation for Euro 80,017 thousand.

1.2 Financial liabilities measured at amortised cost: breakdown by type of payables to customers

(amounts in thousands of Euro)

TYPE OF SECURITIES/VALUES	31/12/2022				31/12/2021			
	Book value	Fair value			Book value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1 Current accounts and sight deposits	457,620	X	X	X	578,254	X	X	X
2 Term deposits	199,824	X	X	X	100,438	X	X	X
3 Loans	8,936	X	X	X	13,283	X	X	X
3.1 Reverse repurchase agreements	-	X	X	X	-	X	X	X
3.2 Others	8,936	X	X	X	13,283	X	X	X
4 Payables for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
5 Lease payables	3,738	-	-	-	3,181	-	-	-
6 Other payables	-	X	X	X	-	X	X	X
Total	670,119			670,119	695,157			695,157

"Lease payables" include the residual balance at 31 December 2022 of the financial liability associated with the rights of use recognised as tangible assets in accordance with IFRS 16.

1.5 Lease payables

Lease payables shown in table "1.2 Financial liabilities measured at amortised cost: breakdown by type of payables to customers" represent the present value of the residual payments related to leases falling within the scope of IFRS 16.

Lease payables amounting to Euro 3,738 thousand refer for Euro 3,530 thousand to real estate leases and Euro 208 thousand to motor vehicle rental contracts.

Section 2 – FINANCIAL LIABILITIES HELD FOR TRADING – ITEM 20

2.1 Financial liabilities held for trading: breakdown by type

(amounts in thousands of Euro)

TYPE OF TRANSACTIONS/VALUES	31/12/2022					31/12/2021				
	NV	FV			FV*	NV	FV			FV*
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
A. On-balance sheet liabilities	-	-	-	-	-	-	-	-	-	-
1. Payables to banks	-	-	-	-	-	-	-	-	-	-
2. Payables to customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Others	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Others	-	-	-	-	X	-	-	-	-	X
TOTAL A										
B. Derivative instruments	-	-	-	-	-	-	-	-	-	-
1. Financial derivatives	-	-	291	-	-	-	-	64	-	-
1.1 Held for trading	X	-	291	-	X	X	-	64	-	X
1.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Others	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	-	-	-	-	-	-	-	-	-	-
2.1 Held for trading	X	-	-	-	X	X	-	-	-	X
2.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Others	X	-	-	-	X	X	-	-	-	X
TOTAL B	X	-	291	-	X	X	-	64	-	X
TOTAL A+B	X	-	291	-	X	X	-	64	-	-

The amount corresponds to the negative intrinsic value on currency commitments (swaps and forward exchange rates).

Section 6 – TAX LIABILITIES – ITEM 80

Please refer to Section 10 of the assets.

Section 8 – OTHER LIABILITIES – ITEM 80

8.1 Other liabilities: breakdown

(amounts in thousands of Euro)		
	31/12/2022	31/12/2021
Amounts to be paid to the tax authorities on behalf of third parties	260	881
VAT payable	59	88
Amounts available for transfers to be executed	4,424	4,024
Payables to employees	-	28
Payables to suppliers	2,704	3,018
Invoices to be received	2,601	518
Payments to social security institutions	277	380
Commission expense creditors	22	24
Accrued and deferred liabilities	1,740	2,178
Work in progress	13,965	896
Transferor account for third-party effects in portfolio	367	2,489
Other items	16,007	1,534
Total	42,424	16,058

Below is a commentary on the most significant items:

Amounts available for transfers to be executed and work in progress

This item mainly relates to transfers to be credited and in process relating to movements in the last few days of the financial year.

Invoices to be received

This item contains the balancing entry for invoices payable allocated on an accrual basis.

Accrued and deferred liabilities

This item includes accrued and deferred liabilities that have not been allocated to a specific item.

Transferor account for third-party effects in portfolio

This item includes the balancing entry for third-party effects in portfolio, consisting mainly of ri.ba bank transfers subject to advances.

Other items

This item includes the Euro 13,698 thousand payable to the securitisation vehicle for the tax credit transaction with Unipol.

Section 9 – EMPLOYEE SEVERANCE INDEMNITY – ITEM 90

9.1 Employee severance indemnity: changes in the year

(amounts in thousands of Euro)

	31/12/2022	31/12/2021
A. Opening balance	338	98
B. Increases	105	305
B.1 Provision for the year	105	57
B.2 Other increases	-	48
B.3 Business combinations	-	200
C. Decreases	92	65
C.1 Payments made	18	25
C.2 Other decreases	74	41
D. Closing balance	350	338
Total	350	338

9.2 Other information

The International Financial Reporting Interpretation Committee (IFRIC) of the IASB with regard to the Italian TFR has concluded that, in application of IAS 19, it must be calculated according to a methodology in which the amount of the liability for the benefits acquired must reflect the expected date of resignation and must be discounted.

In particular, this provision must take into account the amount already accrued at the reporting date, projecting it into the future to estimate the amount to be paid upon termination of employment. This sum is then discounted to take into account the time that will elapse before actual payment.

Section 10 – PROVISIONS FOR RISKS AND CHARGES – ITEM 100

10.1 Provisions for risks and charges: breakdown

(amounts in thousands of Euro)

ITEMS/VALUES	31/12/2022	31/12/2021
1. Provisions for credit risk relating to commitments and financial guarantees given	363	675
2. Provisions on other commitments and other guarantees given	-	-
3. Corporate retirement funds	-	-
4. Other provisions for risks and charges	8	89
4.1. Legal and tax disputes	-	-
4.2. Personnel expenses	-	-
4.3. Others	8	89
Total	371	764

Provisions for risks relating to commitments and guarantees of Euro 363 thousand consist of write-downs on endorsement credits and overdraft margins, while other risk provisions of Euro 8 thousand represent a provision on pending settlement proposals.

10.2 Provisions for risks and charges: changes in the year

(amounts in thousands of Euro)

	Provisions on other commitments and other guarantees given	Retirement funds	Other provisions for risks and charges	Total
A. Opening balance	675	-	89	764
B. Increases	66	-	8	74
B.1. Provision for the year	66	-	8	74
B.2. Time-related changes	-	-	-	-
B.3. Variations due to changes in the discount rate	-	-	-	-
B.4. Other changes	-	-	-	-
B.5 Business combinations	-	-	-	-
C. Decreases	378	-	89	467
C.1. Use in the year	378	-	89	467
C.2. Variations due to changes in the discount rate	-	-	-	-
C.3. Other changes	-	-	-	-
D. Closing balance	363	-	8	371

10.3 Provisions for credit risk relating to commitments and financial guarantees given

(amounts in thousands of Euro)

	Provisions for credit risk relating to commitments and financial guarantees given				
	First stage	Second stage	Third stage	Purchased or originated impaired	Total
Commitments to disburse funds	139	-	-	-	139
Financial guarantees given	201	23	-	-	224
TOTAL	340	23	-	-	363

Section 11 – REIMBURSABLE SHARES – ITEM 120

No shares of this kind are present.

Section 12 – COMPANY EQUITY – ITEMS 110, 130, 140, 150, 160, 170 and 180

12.1 “Capital” and “Treasury shares”: breakdown

(amounts in thousands of Euro)

ITEMS/VALUES	31/12/2022	31/12/2021
1. Capital	44,638	44,638
TOTAL	44,638	44,638

The capital is fully subscribed and paid-up and consists of 91,097,945 ordinary shares.
At the closing date of the financial year, the Bank had no treasury shares in its portfolio.

12.2 Capital – Number of shares – Changes in the year

ITEMS/TYPES	Ordinary	Others
A. Shares at the beginning of the year	91,097,945	-
- fully paid-up	91,097,945	-
- not fully paid-up		-
A.1 Treasury shares (-)	-	-
A.2 Shares outstanding: opening balance	-	-
B. Increases	-	-
B.1 New issues	-	-
- payment	-	-
- business combinations	-	-
- conversion of bonds	-	-
- warrants exercised	-	-
- others	-	-
- bonus issues	-	-
- employees	-	-
- Directors	-	-
- others	-	-
B.2 Sale of treasury shares	-	-
B.3 Other changes	-	-
C. Decreases	-	-
C.1 Derecognition	-	-
C.2 Purchase of treasury shares	-	-
C.3 Disposal of businesses	-	-
C.4 Other changes	-	-
D. Shares outstanding: closing balance	91,097,945	-
D.1 Treasury shares (+)	-	-
D.2 Shares at the end of the year	91,097,945	-
- fully paid-up	91,097,945	-
- not fully paid-up	-	-

12.3 Capital: other information

The share capital is fully subscribed and paid-up and is represented by ordinary shares. All shares have the same rights.

There are no shares reserved for issue under options and sales contracts.

12.4 Profit reserves: other information

In the following table, as required by Article 2427, paragraph 7-bis of the Italian Civil Code, the items of Shareholders' Equity are analytically illustrated with an indication of their origin, possibility of utilisation and distributability.

(amounts in thousands of Euro)

NATURE/DESCRIPTION	Amount	Portion available for	
		Possibility of utilisation	Available portion
Capital	44,638	-	-
Share premiums	716	A/B/C(2)	-
Reserves			-
Legal reserve	1,151	A(1)/B	-
Statutory reserve	2,229	A/B/C	-
Retained earnings (losses)	891	-	-
Others	(4,658)	A/B/C	-
FTA reserve IFRS 9	(2,817)	A/B/C	-
Valuation reserves	1,204	(3)	-
Capital instruments			-
TOTAL	43,353		
Profit (Loss) for the year	10,921		
TOTAL SHAREHOLDERS' EQUITY	54,275		

(*) A=for capital increase; B=for loss coverage; C=for distribution to shareholders.

(1)The legal reserve may be used to increase capital (A) to the extent that it exceeds one-fifth of the capital.

(2)The share premium reserve may only be distributed to shareholders after the legal reserve has reached one-fifth of the share capital.

(3)The reserve is unavailable pursuant to Article 6 of Legislative Decree No. 38/2005.

The item "Share premium" represents the share premium paid at the time of subscription of the bond loan mandatorily convertible into shares of Euro 18.261 million (nominal value), ISIN IT000462293, whose conversion took place on 15.07.2013. The premium of Euro 790 thousand was reduced by Euro 74 thousand for expenses directly attributable to the placement of the loan.

The item Reserves includes the items resulting from the merger in 2021, i.e. the shareholders' equity of Cherry 106 in the amount of Euro 8.5 million.

For the allocation of the profit for the year, please refer to the proposal formulated in the Report on Operations.

OTHER INFORMATION

1. Commitments and financial guarantees given (excluding those designated at fair value)

(amounts in thousands of Euro)

	Nominal value on commitments and financial guarantees given			Purchased or originated impaired	31/12/2022	31/12/2021
	First stage	Second stage	Third stage			
Commitments to disburse funds	61,224	1,415	1,392		64,031	59,866
a) Central Banks	-	-	-	-	-	-
b) Public Administrations	-	-	-	-	-	-
c) Banks	17	-	-	-	17	659
d) Other financial companies	1,083	-	-	-	1,083	7,344
e) Non-financial companies	58,233	1,402	1,277	-	60,913	49,090
f) Households	1,891	13	114	-	2,018	2,773
Financial guarantees given	10,250	297	-	-	10,547	10,975
a) Central Banks	-	-	-	-	-	-
b) Public Administrations	-	-	-	-	-	-
c) Banks	-	-	-	-	-	-
d) Other financial companies	540	-	-	-	540	-
e) Non-financial companies	9,110	297	-	-	9,408	10,356
f) Households	600	-	-	-	600	619

2. Other commitments and other guarantees given

(amounts in thousands of Euro)

	Nominal value	
	31/12/2022	31/12/2021
Other guarantees given	14,186	19,908
of which: impaired	-	-
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
e) Non-financial companies	13,881	19,603
f) Households	305	305
Other commitments		
of which: impaired	-	-
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
e) Non-financial companies	-	-
f) Households	-	-

3. Assets given as security for the company's liabilities and commitments

(amounts in thousands of Euro)

PORTFOLIOS	31/12/2022	31/12/2021
1. Financial assets measured at fair value through profit or loss	-	-
2. Financial assets measured at fair value through other comprehensive income	44,944	76,966
3. Financial assets measured at amortised cost	164,539	42,862
4. Tangible assets	-	-
of which: tangible assets constituting inventories	-	-

4. Management and intermediation for third parties

(amounts in thousands of Euro)

TYPE OF SERVICES	31/12/2022	31/12/2021
1. Execution of orders on behalf of customers		
a) Purchases	-	-
1. Regulated	-	-
2. Unregulated	-	-
b) Sales	-	-
1. Regulated	-	-
2. Unregulated	-	-
2. Individual portfolio management	-	-
3. Custody and administration of securities	727,994	951,460
a) third-party securities on deposit: associated with activities as a custodian bank (excluding portfolio management)	-	-
1. securities issued by the reporting bank	-	-
2. other securities	-	-
b) third-party securities on deposit (excluding portfolio management): other	24,618	105,099
1. securities issued by the reporting bank	39	83,649
2. other securities	24,579	21,450
c) third-party securities deposited with third parties	22,618	103,099
d) own securities deposited with third parties	680,758	743,262
4. Other transactions	-	.

PART C – INFORMATION ON THE INCOME STATEMENT

Section 1 – INTEREST – ITEMS 10 and 20

1.1 Interest and similar income: breakdown

(amounts in thousands of Euro)

Items/Technical forms	Debt securities	Loans	Other transactions	Total 31/12/2022	Total 31/12/2021
1. Financial assets measured at fair value through profit or loss:	76	-	-	76	-
1.1. Financial assets held for trading	-	-	-	-	-
1.2. Financial assets designated at fair value	-	-	-	-	-
1.3. Other financial assets obligatorily measured at fair value	76	-	-	76	-
2. Financial assets measured at fair value through other comprehensive income	46	5,708	x	5,755	1,012
3. Financial assets measured at amortised cost:	116	14,221	-	14,337	15,547
3.1 Receivables from banks		113	X	113	85
3.2 Receivables from customers	116	14,108	X	14,224	15,462
4. Hedging derivatives	X	X	-	-	-
5. Other assets	X	X	792	792	-
6. Financial liabilities	X	x	X	1,000	2,124
Total	238	19,930	792	21,962	18,683
of which: interest income on impaired financial assets	-	6,306	-	6,306	1,157
of which: interest income on finance leases	x	-	x	-	-

The item “Financial liabilities” includes interest on funding transactions with negative rates. In particular, it refers to interest accrued on TLTROIII transactions.

The item “Financial assets measured at amortised cost: receivables from customers” includes the negative effect of the PPA reversal for the period between the date of acquisition and 31 December 2022 (“PPA reversal”) on performing loans in the amount of Euro 685 thousand.

1.2 Interest and similar income: other information

1.2.1 Interest income on financial assets in foreign currencies

(amounts in thousands of Euro)

Items/Values	31/12/2022	31/12/2021
Interest income on financial assets in foreign currencies	221	103

1.3 Interest and similar expense: breakdown

(amounts in thousands of Euro)

Items/Technical forms	Payables	Securities	Other transactions	Total	Total
				31/12/2022	31/12/2021
1. Financial liabilities measured at amortised cost	(4,398)	(26)	-	(4,424)	(5,078)
1.1 Payables to Central Banks		X	X	-	-
1.2 Payables to banks	(81)	X	X	(81)	(234)
1.3 Payables to customers	(4,316)	X	X	(4,316)	(4,830)
1.4 Securities issued	X	(26)	X	(26)	(13)
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities and provisions	X	X	-	-	(54)
5. Hedging derivatives	X	X	-	-	-
6. Financial assets	X	X	X	-	(8)
Total	(4,398)	(26)	-	(4,425)	(5,139)
of which: interest expense on lease payables	(105)	-	-	(105)	(54)

Financial assets include negative interest accrued on financial assets as an effect of negative interest rates.

1.4 Interest and similar expense: other information

1.4.1 Interest expense on foreign currency liabilities

(amounts in thousands of Euro)

Items/Values	31/12/2022	31/12/2021
Interest expense on foreign currency liabilities	(36)	(47)

Section 2 – COMMISSIONS – ITEMS 40 and 50

2.1 Commission income: breakdown

Type of services/Values	(amounts in thousands of Euro)	
	31/12/2022	31/12/2021
a) Financial instruments	291	298
1. Placement of securities	272	257
1.1 On a firm and/or irrevocable commitment basis	-	-
1.2 Without irrevocable commitment	272	257
2. Receiving and sending orders and execution of orders on behalf of customers	19	41
2.1 Receiving and sending orders for one or more financial instruments	19	41
2.2 Execution of orders on behalf of customers	-	-
3. Other commissions related to activities linked to financial instruments	-	-
of which: proprietary trading	-	-
of which: individual portfolio management	-	-
b) Corporate Finance	-	-
1. Advice on mergers and acquisitions	-	-
2. Treasury services	-	-
3. Other commissions related to corporate finance services	-	-
c) Investment advisory activities	-	-
e) Custody and administration	5	5
1. Custodian bank	-	-
2. Other commissions related to custody and administration activities	5	5
f) Central administrative services for collective portfolio management	-	-
g) Fiduciary business	-	-
h) Payment services	728	723
1. Current accounts	378	364
2. Credit cards	57	74
3. Debit cards and other payment cards	8	15
4. Bank transfers and other payment orders	47	40
5. Other fees related to payment services	238	230
i) Distribution of third-party services	3	11
1. Collective portfolio management	-	11
2. Insurance products	3	-
3. Other products	-	-
of which: individual portfolio management	-	-
j) Structured finance	-	-
k) Servicing activities for securitisation transactions	-	-
l) Commitments to disburse funds	-	-
m) Financial guarantees given	621	560
of which: credit derivatives	-	-
941n) Financing transactions	968	781
of which: for factoring transactions	-	-
o) Trading in foreign currencies	188	122
p) Goods	-	-
q) Other commission income	13,614	3,607
of which: for management of multilateral trading systems	-	-
of which: for management of organised trading systems	-	-
Total	16,418	6,107

The item “Other commission income” includes commissions related to “fronting” operations in Tax Credits.

2.2 Commission income: distribution channels of products and services

(amounts in thousands of Euro)

Channels/Values	31/12/2022	31/12/2021
a) at own branches:	275	252
1. portfolio management	-	-
2. placement of securities	272	252
3. third-party services and products	3	-
b) off-premises offer:	-	-
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	-	-

2.3 Commission expenses: breakdown

(amounts in thousands of Euro)

Channels/Values	31/12/2022	31/12/2021
a) Financial instruments	-	-
of which: trading of financial instruments	-	-
of which: placement of financial instruments	-	-
of which: individual portfolio management	-	-
- Own	-	-
- Delegated to third parties	-	-
d) Compensation and settlement	-	-
c) Custody and administration	(89)	(62)
d) Collection and payment services	(331)	(189)
of which: credit cards, debit cards and other payment cards	(58)	(34)
e) Servicing activities for securitisation transactions	(8)	(6)
f) Commitments to receive funds	-	-
g) Financial guarantees received	(280)	(13)
of which: credit derivatives	-	-
h) Off-premises offer of financial instruments, products and services	-	-
i) Currency trading	-	-
j) Other commission expenses	(6,331)	(2,272)
Total	(7,039)	(2,542)

The item "Other commission expenses" includes commissions related to "fronting" operations in Tax Credits.

Section 3 – DIVIDENDS AND SIMILAR INCOME – ITEM 70

3.1 Dividends and similar income: breakdown

(amounts in thousands of Euro)

ITEMS/INCOME	31/12/2022		31/12/2021	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	1	-	-	-
B. Other financial assets obligatorily measured at fair value	-	-	-	-
C. Financial assets measured at fair value through other comprehensive income	-	-	-	-
D. Investments	-	-	-	-
TOTAL	1	-	-	-

Section 4 – NET TRADING RESULT – ITEM 80

4.1 Net trading result: breakdown

(amounts in thousands of Euro)

Transactions/Income components	Gains (A)	Trading profits (B)	Losses (C)	Trading losses (D)	Net result [(A+B)-(C+D)]
1. Financial assets held for trading	324	21,842	-	(18)	22,149
1.1 Debt securities	-	2	-	(18)	(15)
1.2 Capital securities	-	-	-	-	-
1.3 UCITS units	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Others	324	21,839	-	-	22,164
2. Financial liabilities held for trading	-	-	(43)	-	(43)
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Others	-	-	(43)	-	(43)
3. Other financial assets and liabilities: exchange rate differences	-	-	-	-	-
4. Derivative instruments	-	-	-	-	123
4.1 Financial derivatives	-	-	-	-	123
- On debt securities and interest rates	-	-	-	-	-
- On capital securities and equity indices	-	-	-	-	-
- On currencies and gold	-	-	-	-	123
- Others	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges related to the fair value option	-	-	-	-	-
Total	324	21,842	(43)	(18)	22,229

The item "Trading profits" refers to trading in Tax Credits.

Section 6 – GAINS (LOSSES) ON DISPOSAL/REPURCHASE – ITEM 100

6.1 Gains (Losses) on disposal/repurchase: breakdown

(amounts in thousands of Euro)

Items/Income components	Total 31/12/2022			Total 31/12/2021		
	Gains	Losses	Net result	Gains	Losses	Net result
A. Financial assets	-	-	-	-	-	-
1. Financial assets measured at amortised cost	529	(345)	184	201	-	201
1.1 Receivables from banks		-			-	
1.2 Receivables from customers	529	(345)	184	201	-	201
2. Financial assets measured at fair value through other comprehensive income	737	(227)	510	2,586	-	2,586
2.1 Debt securities	-	(15)	(15)	2,586	-	2,586
2.2 Loans	737	(211)	526		-	
Total assets (A)	1,267	(572)	695	2,787	-	2,787
B. Financial liabilities measured at amortised cost	-	-	-	-	-	-
1. Payables to banks	-	-	-	-	-	-
2. Payables to customers	-	-	-	-	-	-
3. Securities issued	-	-	-	-	-	-
Total liabilities (B)	-	-	-	-	-	-

The net result of financial assets measured at amortised cost – receivables from customers consists of gains of Euro 529 thousand and losses of Euro 345 thousand from the sale of impaired loans.

Section 7 – NET RESULT FROM FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS – ITEM 110

7.2 Net change in value of other financial assets and liabilities measured at fair value through profit or loss: breakdown of other financial liabilities obligatorily measured at fair value

(amounts in thousands of Euro)

Transactions/Income components	Gains (A)	Realised gains (B)	Losses (C)	Realised losses (D)	Net result [(A+B)-(C+D)]
1. Financial assets	-	-	(118)	-	(118)
1.1 Debt securities	-	-	-	-	-
1.2 Capital securities	-	-	-	-	-
1.3 UCITS units	-	-	(118)	-	(118)
1.4 Loans	-	-	-	-	-
2. Financial assets in foreign currencies: exchange rate differences	X	X	X	X	-
Total	-	-	(118)	-	(118)

Section 8 – NET IMPAIRMENT/REVERSAL OF IMPAIRMENT FOR CREDIT RISK – ITEM 130

8.1 Net impairment for credit risk related to financial assets measured at amortised cost: breakdown

(amounts in thousands of Euro)

Transactions /Income components	Impairment (1)						Reversal of impairment (2)				Total 31/12/2022	Total 31/12/2021
	First stage	Second stage	Third stage		Purchased or originated impaired		First stage	Second stage	Third stage	Purchased or originated impaired		
			Write-offs	Others	Write-offs	Others						
A. Receivables from banks	(68)	-	-	-	-	-	-	-	-	-	(68)	(67)
- Loans	(68)	-	-	-	-	-	-	-	-	-	(68)	(67)
- Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
B. Receivables from customers	(532)	-	(1,264)	(2,502)	-	-	-	16	374	-	(3,908)	(11,804)
- Loans	(396)	-	(1,264)	(2,502)	-	-	-	16	374	-	(3,772)	(11,810)
- Debt securities	(136)	-	-	-	-	-	-	-	-	-	(136)	6
C. Total	(600)	-	(1,264)	(2,502)	-	-	-	16	374	-	(3,976)	(11,871)

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

(amounts in thousands of Euro)

Transactions /Income components	NET IMPAIRMENT			Total 31/12/2022	Total 31/12/2021
	First and second stage	Third stage			
		Write-offs	Others		
1. Loans granted in accordance with GL	-	-	-	-	(2)
2. Loans subject to other granting measures	-	-	-	-	-
3. New loans	(493)	-	(676)	(1,169)	-
C. Total	(493)	-	(676)	(1,169)	(2)

8.2 Net impairment for credit risk relating to financial assets measured at fair value through other comprehensive income: breakdown

(amounts in thousands of Euro)

Total Transactions /Income components		Impairment (1)							Reversal of impairment (2)		Total 31/12/2022	Total 31/12/2021
	First stage	Second stage	Third stage		Purchased or originated impaired		First stage	Second stage	Third stage	Purchased or originated impaired		
			Write-offs	Others	Write-offs	Others						
A. Debt securities	-	-	-	-	-	-	42	-	-	-	42	(18)
B. Loans	-	-	-	-	-	(11,175)	-	-	-	15,608	4,433	1,964
- Customers	-	-	-	-	-	(11,175)	-	-	-	15,608	4,433	1,964
- Banks	-	-	-	-	-	-	-	-	-	-	-	-
C. Total	-	-	-	-	-	(11,175)	42	-	-	15,608	4,475	1,946

Section 10 – ADMINISTRATIVE EXPENSES – ITEM 160

10.1 Personnel expenses: breakdown

(amounts in thousands of Euro)

Type of expenses/Values	31/12/2022	31/12/2021
1) Employees	(15,899)	(7,689)
a) wages and salaries	(10,957)	(5,387)
b) social security contributions	(2,857)	(1,534)
c) employee severance indemnity	-	-
d) social security expenses	-	-
e) provision for employee severance indemnity	(649)	(323)
f) provision for retirement funds and similar commitments	(209)	(138)
- defined contribution	(209)	(138)
- defined benefit	-	-
g) contributions to external supplementary pension funds	-	-
- defined contribution	-	-
- defined benefit	-	-
h) costs deriving from equity-settled share-based payment agreements	-	-
i) other employee benefits	(1,228)	(307)
2) Other personnel	-	-
3) Directors and Statutory Auditors	(1,151)	(724)
4) Retired personnel	-	-
5) Recovery of expenses for employees seconded to other companies	-	-
6) Reimbursement of expenses for seconded third-party employees at the company	-	-
Total	(17,049)	(8,413)

10.2 Average number of employees by category

(amounts in thousands of Euro)		
	31/12/2022	31/12/2021
Employees		
(a) executives	9	4
b) total directive managers	79	42
c) remaining employees	101	51
Other personnel	-	-
average total number of employees	189	97

The year-end figure at 31.12.2022 was 237 employees, while at 31.12.2021 it was 156 employees.

10.4 Other employee benefits

(amounts in thousands of Euro)		
	31/12/2022	31/12/2021
- training expenses	(169)	(111)
- other contractual expenses (meal vouchers and insurance policies)	(710)	(196)
- fringe benefits	(349)	-
- other expenses	-	-
Total	(1,228)	(307)

10.5 Other administrative expenses: breakdown

	(amounts in thousands of Euro)	
	31/12/2022	31/12/2021
remuneration to collaborators	(8)	-
printed material and stationery	(22)	(16)
property maintenance	(32)	(18)
concierge fees	(33)	(30)
postage	(45)	(86)
lighting, motive power, heating and water	(71)	(59)
membership contributions	(80)	(91)
cleaning costs	(96)	(84)
furniture and machinery maintenance	(115)	(50)
notary fees	(135)	(25)
reimbursement of travel expenses to employees	(187)	(22)
remuneration to independent auditors	(221)	(205)
car expenses	(252)	(100)
software fees and maintenance	(299)	(78)
rental of real estate	(300)	(111)
F.I.T.D. contributions	(309)	(179)
telephone costs and external network connection fees	(310)	(213)
national resolution fund contributions	(412)	(341)
insurance costs	(467)	(230)
business combination consultancy	(492)	(2,213)
taxes and fees	(732)	(711)
advertising and representation	(1,143)	(137)
NPL on-boarding and due diligence expenses	(1,262)	(790)
NPL recovery company expenses	(1,612)	(231)
consultancy	(2,380)	(518)
tax credit verification consultancy	(3,403)	(287)
electronic processing on behalf of third parties	(3,926)	(2,349)
other expenses	(1,750)	(493)
Total other administrative expenses	(20,094)	(9,667)

The increase in administrative expenses is mainly determined by the expenses incurred for the strengthening of organisational and control structures supported by adequate information systems.

Section 11 – NET ALLOCATIONS TO PROVISIONS FOR RISKS AND CHARGES – ITEM 170

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

(amounts in thousands of Euro)

Transactions/Income components	Impairment		Reversal of impairment		Total 31/12/2022	Total 31/12/2021
	Specific	Portfolio	Specific	Portfolio		
Guarantees given	-	(100)	378	-	278	63
Commitments to disburse funds	-	-	-	33	33	118
Other transactions	-	-	-	-	-	-
Total	-	(100)	-	-	311	181

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

(amounts in thousands of Euro)

Transactions/Income components	Impairment	Reversal of impairment	Total 31/12/2022	Total 31/12/2021
Disputes	-	9	9	87
Total	-	9	9	87

Section 12 – NET IMPAIRMENT/REVERSAL OF IMPAIRMENT OF TANGIBLE ASSETS – ITEM 180

12.1 Net impairment of tangible assets: breakdown

(amounts in thousands of Euro)

ASSETS/INCOME COMPONENT	Depreciation (A)	Impairment (B)	Reversal of impairment (C)	Net result (A + B - C)
A. Tangible assets	-	-	-	-
A.1 For functional use	(1,105)	-	-	(1,105)
- owned	(992)	-	-	(992)
- rights of use acquired through leases	(112)	-	-	(112)
A.2 Held for investment purposes	-	-	-	-
- owned	-	-	-	-
- rights of use acquired through leases	-	-	-	-
A.3 Inventories	X	-	-	-
TOTAL	(1,105)	-	-	(1,105)

Section 13 – NET IMPAIRMENT/REVERSAL OF IMPAIRMENT OF INTANGIBLE ASSETS – ITEM 190

13.1 Net impairment of intangible assets: breakdown

(amounts in thousands of Euro)

Assets/Income component	Amortisation (A)	Impairment (B)	Reversal of impairment (C)	Net result (A + B - C)
A. Intangible assets	-	-	-	-
A.1 Owned	(636)	-	-	(636)
- Internally generated by the company	-	-	-	-
- Others	(636)	-	-	(636)
A.2 Rights of use acquired through leases	-	-	-	-
TOTAL	(636)	-	-	(636)

Section 14 – OTHER OPERATING EXPENSES AND INCOME – ITEM 200

14.1 Other operating expenses: breakdown

“Other operating expenses” are broken down as follows:

Assets/Income component	(amounts in thousands of Euro)	
	31/12/2022	31/12/2021
- third-party property maintenance costs	-	10
- interest for currency differences on collection and payment transactions	-	-
- donations	62	20
- other extraordinary expenses	48	29
Total “Other operating expenses” (A)	110	59

14.2 Other operating income: breakdown

“Other operating income” is broken down as follows:

	(amounts in thousands of Euro)	
	31/12/2022	31/12/2021
- recovery of overdraft expenses and savings deposits	627	652
- recovery of interest for currency differences on collection and payment transactions	-	-
- recovery of legal costs	-	-
- recovery of expenses for outsourcing services rendered	-	-
- rental income	-	-
- recovery of customer insurance costs	-	-
- sundry expense recoveries	4	4
- other extraordinary income	426	18,784
Total “other operating income” (B)	1,057	19,440
Net income on the income statement (B) - (A)	947	19,381

The item “other extraordinary income” in 2021 is attributable to the gain on bargain purchase recognised in the Income Statement as a result of the PPA related to the merger transaction.

Section 15 – GAINS (LOSSES) ON INVESTMENTS – ITEM 220

15.1 Gains (Losses) on investments: breakdown

Component/Values	(amounts in thousands of Euro)	
	31/12/2022	31/12/2021
A. Income	-	-
1. Revaluations	-	-
2. Gains on disposal	-	-
3. Reversal of impairment	-	-
4. Other income	-	-
B. Expenses	-	-
1. Write-downs	-	-
2. Impairment	-	-
3. Losses on disposal	-	(20)
4. Other expenses	-	-
Net result	-	(20)

Section 18 – GAINS (LOSSES) ON DISPOSAL OF INVESTMENTS – ITEM 250

18.1 Gains (Losses) on disposal of investments: breakdown

Component/Values	(amounts in thousands of Euro)	
	31/12/2022	31/12/2021
A. Properties	-	-
1. Gains on disposal	-	-
2. Losses on disposal	-	-
B. Other assets	12	-
1. Gains on disposal	12	-
2. Losses on disposal	-	(1)
Net result	12	(1)

Section 19 – INCOME TAXES FOR THE YEAR ON CURRENT OPERATIONS – ITEM 270

19.1 Income taxes for the year on current operations: breakdown

Income components/Values	(amounts in thousands of Euro)	
	31/12/2022	31/12/2021
1. Current taxes (-)	(1,007)	-
2. Changes in current taxes of previous years (+/-)	224	-
3. Decrease in current taxes for the year (+)	2,175	-
3.bis Decrease in current taxes for the year for tax credits pursuant to Law No. 214/2011 (+)	-	-
4. Change in deferred tax assets (+/-)	(1,951)	(317)
5. Change in deferred tax liabilities (+/-)	(1,136)	310
6. Taxes for the year (-) (-1+/-2+3+/-4+/-5)	(1,695)	(7)

19.2 Reconciliation of theoretical tax expense and actual tax expense in the financial statements

Profit (Loss) before taxes	(amounts in thousands of Euro)		
	taxable amount	rate	tax
Profit (Loss) before taxes/theoretical tax expense – IRES	12,616	27.5%	3,469
- Allocation of DTA losses and ACE surpluses carried forward	(11,244)		(3,092)
- DTL allocation on NPL ctp IS previous years	3,269		899
- Other	(820)		(226)
- Actual tax expense – IRES			1,050
Profit (Loss) before taxes/theoretical tax expense – IRAP	12,616	5.57%	703
- effect of non-deductible expenses and other increases – permanent	(37,129)		(2,068)
- effect of non-taxable income and other decreases – permanent	36,085		2,010
Actual tax expense – IRAP			645
Actual tax expense in the financial statements			1,695

The effective tax rate is 13.44%. The deviation from the nominal tax rate (33.07%) results from the allocation of DTA on tax losses incurred in previous years. In addition, the accounting effects of the approach suggested by the Revenue Agency in its response to a petition filed by the Bank in 2022 regarding the tax treatment of certain economic components referring to NPL were recognised. In particular, the Bank recognised the DTA on the higher tax losses incurred in 2021 as a result of the clarifications received from the Agency, and the higher DTL in the same amount, with no effect on the effective tax rate.

PART D – OTHER COMPREHENSIVE INCOME

(amounts in thousands of Euro)

Items	31/12/2022	31/12/2021
10. Profit (Loss) for the year	10,921	11,744
Other income components without reversal to the income statement	54	-34
20. Capital securities designated at fair value through other comprehensive income:	-	-
a) Change in fair value	-	-
b) Reclassified to other components of equity	-	-
30. Financial liabilities designated at fair value through profit or loss (changes in own creditworthiness):	-	-
a) Change in fair value	-	-
b) reclassified to other components of equity	-	-
40. Hedges of capital securities designated at fair value through other comprehensive income:	-	-
a) Change in fair value (hedged instrument)	-	-
b) Change in fair value (hedging instrument)	-	-
50. Tangible assets	-	-
60. Intangible assets	-	-
70. Defined benefit plans	54	-34
80. Non-current assets and groups of assets held for sale	-	-
90. Share of valuation reserves of investments valued at equity	-	-
100. Income tax relating to other income components without reversal to the income statement	-	-
Other income components with reversal to the income statement	(893)	1,288
110. Hedges of foreign investments:	-	-
a) changes in fair value	-	-
b) reversal to income statement	-	-
c) other changes	-	-
120. Exchange rate differences:	-	-
a) changes in value	-	-
b) reversal to income statement	-	-
c) other changes	-	-
130. Cash flow hedging:	-	-
a) changes in fair value	-	-
b) reversal to income statement	-	-
c) other changes	-	-
of which: result of net positions	-	-
140. Hedging instruments: (non-designated elements)	-	-
a) changes in fair value	-	-
b) reversal to income statement	-	-
c) other changes	-	-
150. Financial assets (other than capital securities) measured at fair value through other comprehensive income:	-	-
a) changes in fair value	(893)	1,288
b) reversal to income statement	-	-
- credit risk adjustments	-	-
- realised gains/losses	-	-
c) other changes	-	-
160. Non-current assets and groups of assets held for sale:	-	-
a) changes in fair value	-	-
b) reversal to income statement	-	-
c) other changes	-	-
170. Share of valuation reserves of investments valued at equity	-	-
a) changes in fair value	-	-
b) reversal to income statement	-	-
- impairment	-	-
- realised gains/losses	-	-
c) other changes	-	-
180. Income tax relating to other income components with reversal to the income statement	-	-
190. Total other income components	(839)	1,254
Other comprehensive income (Item 10+190)	10,082	12,998

PART E – INFORMATION ON RISKS AND RELATED HEDGING POLICIES

INTRODUCTION

At Cherry Bank, risk governance is identified in the set of corporate governance arrangements and management and control mechanisms aimed at addressing the risks to which it is exposed and is part of the more general framework of the Internal Control System.

The Internal Control System consists of the set of rules, functions, structures, resources, processes and procedures that aim to ensure, in compliance with sound and prudent management, the achievement of various goals, including the containment of risk within the limits indicated by the Risk Appetite Framework (hereinafter RAF).

The Bank maintains a traditional governance model that includes a Board of Directors, Board of Statutory Auditors and Chief Executive Officer.

A central role in risk governance is played by the Board of Directors, which defines and approves:

- the business model being aware of the risks to which this model exposes the Bank and the ways in which risks are detected and assessed;
- the strategic plan and ensures that it is updated, in relation to the evolution of the company's business and the external context, in order to ensure its effectiveness over time;
- risk objectives, tolerance and capacity thresholds;
- guidelines for the Internal Control System, verifying that they are consistent with the strategic guidelines already in place and with established risk appetites and that they are capable of reflecting the evolution of company risks and the interactions among them.

It also ensures that:

- the implementation of the RAF is consistent with the risk objectives and tolerance and capacity thresholds defined; it periodically assesses the adequacy and effectiveness of the RAF and the compatibility between actual risk and risk objectives;
- the strategic plan, the RAF, the ICLAAP, the budgets and the Internal Control System are consistent, also bearing in mind the evolution of the internal and external conditions in which the Bank operates;
- the amount and allocation of capital and liquidity held are consistent with the risk appetite, and the risk management process.

The Bank's Internal Control System has three different levels:

- Line controls: carried out by the operational lines and as part of back office activities;
- Second level controls: risk and compliance controls that aim to ensure the proper implementation of the risk management process; compliance with the operational limits assigned to the various functions; and compliance of company operations with regulations, including self-regulatory ones;
- Third level controls: in charge of the Internal Audit function aimed at detecting violations of procedures and regulations, as well as periodically assessing the completeness, adequacy, functionality and reliability of the Internal Control System and the information system.

In particular, the specific second-level risk control function is Risk Management which, reporting

directly to the Board of Directors, acts in substantial separation from the operational ones and directly fulfils the following mission:

- ensure a holistic and integrated view of the risks to which the Bank is exposed and ensure adequate disclosure to the Corporate Bodies;
- identify, measure, assess, monitor risks relevant to the Bank;
- ensure adequate disclosure on the risks assumed to the Corporate Bodies, Control Functions and Heads of structures involved in the risk management process;
- oversee the governance and risk management processes in accordance with the strategies and policies defined by the Corporate Bodies;
- ensure the set up and continuous improvement of methodologies, models, metrics and tools for risk measurement and integration;
- facilitate the transposition of Supervisory regulations and directives.

The dissemination of a risk culture and risk control is ensured within Cherry Bank:

- by the identification of an unambiguous and specific taxonomy of risks, approved by the Board of Directors, which is the reference point for the definition of the Risk Appetite Framework (R.A.F.);
- by internal regulations, which for each activity provides for the highlighting of the relevant risks and the consequent controls;
- by the controls performed by the functions, structured with objectives to improve risk governance;
- by specific training courses for Bank personnel, held by internal and external lecturers.

The measurement of the risk profile is a key element of the Internal Capital and Liquidity Adequacy Assessment Process ("ICLAAP") according to the provisions of the Second Pillar of the Basel Accord.

Capital adequacy is assessed by considering the balance between risks taken, both Pillar I and Pillar II, and available capital.

Section 1 – CREDIT RISK

QUALITATIVE INFORMATION

1. General aspects

Cherry Bank's strategic lines of development are defined in its Business Plans and annual budgets and identify the credit risk associated with lending as the main type of risk to which the Bank is exposed.

During 2022, the Bank further strengthened its monitoring and analysis of the riskiness of its customers, also in view of the crises that affected 2022; recourse to state guarantees MCC and SACE was kept active (no ineffectiveness recorded in the Bank's history). This activity was crucial both at present and, above all, for the future, given the high probability of instability in the business network that characterises our economy (especially with regard to small- to medium-sized enterprises that are under greater stress in weak economic situations).

In terms of Risk Origination and Monitoring, Cherry Bank is compliant with the new EBA guidelines that came into force on 30 June 2021.

With regard to the third-party NPL segment, portfolio purchase activities continued with a particular focus on primary and secondary market segments, which brought the total portfolio holdings at the end of the year to Euro 61 million. Total income from operations increased by about 75% compared to the previous year.

2. Credit risk management policies

2.1 Organisational aspects

The monitoring of the quality of the loan portfolio is carried out first and foremost through the operating procedures governing the phases of the credit process (appraisal, disbursement, monitoring, periodic review, work-out management). The factors underlying credit risk are checked by verifying the adequacy of the credit facility (size, technical form, etc.) with respect to the characteristics and needs of the borrower and the customer's current and prospective ability to pay the debt.

The Organisational Function in charge of the phases of credit appraisal, disbursement and management is the Credit Function; within this function a specific unit dedicated to first level monitoring has been created, while the management of relationships classified as Probable Default and Non-performing is assigned to the NPL Management Function (Legacy workout).

Risk Management performs second-level controls over the entire "chain" concerning the assumption of credit risk and the related second-level monitoring.

Cherry Bank adopts a rating system for management purposes to measure credit risk; assessments are made on the basis of information gathered during the appraisal phase and the subjective considerations of the assessors through Cedacri's CRS application. It should be noted that CRS ratings are used for management purposes only and do not form part of the calculation of capital requirements. The project to move to a new rating system was launched in early 2023. The capital requirement for credit risk is calculated using the standardised methodology set out in the Supervisory Provisions.

2.2 Management, measurement and control systems

The systems used to identify, measure, manage and control credit risk consist of a set of IT tools, procedures and internal regulations.

Credit Risk monitoring and management is supported by portfolio analysis and specific processing, produced by the Bank on the basis of internal databases. To this end, Cherry Bank also uses a specific computerised credit monitoring platform (CQM, provided by Cedacri), the purpose of which is to identify positions to be monitored and to manage positions where anomalies have already occurred, with the ultimate aim of managing and minimising the Bank's credit risk.

Limits on individual and/or group exposures and concentration, as well as thresholds for transactions of greater significance, are set by internal policies and approved by the Board of Directors, and are monitored by the Risk Management office.

The process of purchasing impaired loans goes through a thorough due diligence and a rigorous pricing process that leads to the formulation of an offer, only after having verified that the expected recovery profile is in line with the return expectations that the Bank expects to obtain on the individual portfolio, as well as after having discussed collegially in a committee and also in the Board of Directors (for transactions involving a Board resolution) whether or not to proceed.

The management performance of the portfolios and their profitability are systematically reported to the Corporate Bodies and also monitored by the Risk Management Function.

2.3 Methods of measuring expected losses

The expected loss is estimated in accordance with IFRS9 (through the adoption of an expected loss calculation model) and is based on forward-looking information as well as macroeconomic factors. The adoption of IFRS 9 resulted in higher provisions when the standard was first implemented. The Bank has adopted the phase-in that allows the impacts of the introduction of IFRS9 on capital to be mitigated over five years; the transitional regime ended in December 2022.

The provisioning model on the performing portfolio in use at Cherry Bank, provided by Cedacri, in accordance with IFRS 9, provides for the identification of "stage 2" on the basis of SICR (i.e. significant increase in credit risk), which is expressed in relation to the following determinants:

- the change in the probability of default with respect to the time of initial recognition of the financial instrument. It is, therefore, an evaluation using a "relative" criterion, i.e. the change in the CRS rating;
- the possible presence of a past due that has been so for at least 30 days;
- the possible presence of other conditions (e.g. a renegotiation qualifying as a "forbearance measure").

The management of impaired loans, i.e. those classified in stage 3, is handled by a special office that takes actions aimed at readmitting the counterparty to normal operations, or operates with liquidation intent by also enforcing guarantees, where the counterparty does not have the characteristics to be supported in the repayment. The impairment for these positions are made in line with the provisions of the regulations in force and according to principles of prudence by

evaluating each debt position analytically.

The global economic crisis aggravated in 2022 by the Russian-Ukrainian conflict led to reflections on both the macroeconomic outlook and the sustainability of credit risk. For provisioning purposes, it was therefore necessary to consider two very important factors that characterised this crisis period: diversification of the shock across geographic and sectoral areas and the inclusion of the effects and support measures put in place by the relevant authorities (state guarantees, moratoria, etc.). Cherry Bank actively participated in the developments proposed by the provider Cedacri and Cerved for the recalibration of the PD curves used to estimate provisions – obviously, the PD curves are compliant with IFRS 9 and incorporate the new macroeconomic context.

Currently, the process of adjusting the impairment model for stage 1 and 2 involves:

- i. a multi-scenario approach: adverse, basic, best;
- ii. PD used for impairment purposes have been updated and “clustered” by macro geographical areas, ATECO macro sectors and customer segments.

With reference to the NPL acquired from third parties, it should be noted that the risk of non-recovery is already factored into the prospective cash flows, determined through the application of proprietary methodologies.

Measurement of expected losses

As required by the IFRS9 accounting standard, the risk parameters were recalibrated annually – a consortium project was conducted with the support of Cerved; the risk parameters and the forward-looking component of the model were updated in order to incorporate the outlook for changes in the macroeconomic context into the risk measures.

The estimates of the forward-looking elements to be included in the calculation of expected losses, in application of IFRS 9, developed by Cerved and based on the macro-economic variables underlying the estimates of the baseline scenario, used in the determination of the ECL under IFRS 9, are provided by the external service provider and updated on an annual basis. They mainly include:

- Long-term rate (5-year Government Bond);
- Short-term rate (3-month Money Market Rate);
- Rate on bank lending;
- 3-month BOT rate;
- Unemployment rate;
- Inflation rate;
- Real GDP growth rate;
- Real consumption growth rate;
- Real investment growth rate;
- Real public consumption growth rate;
- Real export growth rate;
- Real import growth rate;

- Euro Area real GDP growth rate;
- Real industrial production growth rate;
- Real services production growth rate;
- World real GDP growth rate.

2.4 Credit risk mitigation techniques

During 2022, Cherry Bank continued the de-risking policy (use of the state guarantee MCC) adopted in 2021, combining it with the measures put in place by the state to deal with the pandemic: as at 31.12.22, about 48% of the loan portfolio was backed by a public guarantee, and in this regard, the Bank is assisted by 3 servicing companies specialised in the fulfilment of the requirements for the management of the public guarantee.

Cherry Bank also favours the assumption of collateral from real estate mortgages (managed with Cedacri's Collateral IT procedure), as well as other forms of personal guarantees such as sureties, both from customers and from Guarantee Consortia. In the area of collateral, the use of guarantees such as pledges of securities or goods is limited, and specific counterparties are not predominantly used. The Credit Function verifies the legal and operational effectiveness of the guarantees received. There are no contractual restrictions on the legal validity of the guarantees received in the loan portfolio. The Bank does not use collateral compensation agreements or credit derivatives.

3. Impaired credit exposures

3.1 Management strategies and policies

The classification of impaired financial assets (legacy) is carried out in accordance with internal rules and on the basis of the control activities of the various corporate functions delegated by the Board of Directors according to the amounts and in line with the Bank of Italy's instructions.

The management of positions with performance anomalies is the responsibility of the Credit Monitoring Office (Credit Function) while the management of disputes is the responsibility of the Legacy Workout Office (located in the NPL Management function).

The Risk Management function verifies that the correctness of the classification of credits is carried out in a manner consistent with the rules approved by the Board of Directors that implement the instructions of the Supervisory Provisions.

The Internal Audit function verifies the reliability and effectiveness of the overall credit process.

In relation to NPL acquired from third parties, management is hinged within the NPL Transformation office, which relies on a strategy of strong recourse to recovery companies and law firms that are loyal and aligned with Cherry Bank's values, in order to be able to take advantage of economies of scale in the management of growing volumes.

3.2 Write-offs

When the Bank determines that the credit is totally unrecoverable, the financial asset is totally written off from the financial statements, through the inclusion of a 100% loss forecast. Such an evaluation may also take place before the actions undertaken for the recovery of the credit have been definitively concluded.

This does not imply that the Bank has renounced this right, which may still be exercised under new conditions (e.g. if the debtor receives an inherited property, which we have become aware of due to the maintenance of real estate records being monitored, or accrues a salary or pension that can

be attached), provided that it is exercised within the terms provided for by the applicable legislation.

3.3 Purchased or Originated Credit Impaired Assets

Cherry Bank's Purchased or Originated Credit Impaired Assets at 31 December 2022 consisted of the following categories:

- NPL acquired as part of NPL Investment & Management operations;
- Impaired assets in the financial statements and generated by Relationship Bank activities. Please refer to as described in Part B – Section 4 of these Notes to the Financial Statements.

Purchased impaired loans (NPL) amounted to a fair value of Euro 61 million.

Specifically, the activity of acquiring credits of a financial nature that are difficult to collect from consumer, retail and small business customers, relates to the complex of operations aimed at the judicial and extrajudicial recovery of the credits acquired.

The internal organisational structure for the management of NPL has been strengthened over time through the inclusion in the corporate organisation chart of human resources with adequate and proven experience in the sector.

The structure is dedicated to the purchase and management of NPL originated by banks and financial institutions, all within the framework of the strategic objectives determined by the Board of Directors. The revision of the internal regulations placed the decision-making powers for recovery forecasts in accordance with the assumptions dictated by the Board of Directors for the internal Head of the asset management structure.

These loans are acquired at prices significantly below their nominal value, while the collections realised in subsequent management activities are usually higher than the acquisition value, thus minimising the risk of loss.

Purchased impaired loans generally relate to terminated contracts for which the originator has already sent a termination notice (DBT). Purchased impaired positions are classified according to the following logic:

- In the case of purchases from a reporting transferor counterparty, positions are classified as reporting continuity with respect to the transferor at the time of the first census. If there are any UTP or Past due, the position is examined by the end of the on-boarding phase to ascertain its correct classification. Since these are non-valid contracts, the files are normally classified as non-performing.
- In the case of purchases from a non-reporting transferor counterparty, the positions are classified as non-performing at the time of the first census.

Purchased portfolios are commonly processed in two main ways:

- Extrajudicial management, where the aim is to reach a payment agreement with the debtor/guarantor;
- Judicial management, where recovery is pursued through legal action, be it the garnishment of a salary/pension share, or real estate enforcement where there are capacious assets.

Collection forecasts are governed by internal policies that provide for either analytical evaluations carried out by the manager or estimates derived from the internal valuation model.

The total portfolio of impaired loans outstanding at year-end had an average overall seniority, weighted on the residual Gross Book Value, of about 15 months from the date of purchase.

4. Financial assets subject to trade renegotiations and exposures subject to concessions

The 7th update of Bank of Italy Circular No. 272/2008 introduced the concept of exposures subject to concessions (so-called “forbearance”), incorporating the definitions introduced by the Implementing Technical Standards (ITS for short) issued by the European Banking Authority (EBA). In particular, the regulations require that both performing loans and impaired loans be identified by defining the categories “Forborne performing exposures” and “Non-performing exposures with forbearance measures” respectively. The legislation defines “forbearance measures” as modifications of the original terms and conditions of the contract, or refinancing of all or part of the debt, which are granted to a debtor that is experiencing or about to experience difficulties in meeting its financial commitments.

The return to performing status of impaired exposures takes place with the recovery, by the debtor, of the conditions of full solvency, i.e. in case of the regularisation of the past due amount and the re-establishment of the conditions for the reactivation of a regular relationship.

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

A. 1 IMPAIRED AND NON-IMPAIRED CREDIT EXPOSURES: AMOUNTS, IMPAIRMENT, DYNAMICS AND ECONOMIC DISTRIBUTION*A. 1.1 Distribution of financial assets by portfolio and credit quality (book values)*

(amounts in thousands of Euro)

Portfolios/Quality	Non-performing	Probable defaults	Impaired past due exposures	Non-impaired past due exposures	Other non-impaired exposures	Total
1. Financial assets measured at amortised cost	42,441	18,900	706	9,129	644,235	715,413
2. Financial assets measured at fair value through other comprehensive income	41,567	-	-	-	127,899	169,466
3. Financial assets designated at fair value	-	-	-	-	-	-
4. Other financial assets obligatorily measured at fair value	-	-	-	-	-	-
5. Financial assets held for sale	-	-	-	-	-	-
Total 31/12/2022	84,008	18,900	706	9,129	772,134	884,879
Total 31/12/2021	65,410	16,419	3,498	5,403	826,834	917,564

A. 1.2 Distribution of financial assets by portfolio and credit quality (gross and net values)

(amounts in thousands of Euro)

PORTFOLIOS/QUALITY	Impaired assets				Non-impaired assets			Total net exposure
	Gross exposure	Total impairment	Net exposure	Total partial write-offs*	Gross exposure	Total impairment	Net exposure	
1. Financial assets measured at amortised cost	65,914	3,865	62,049	-	657,822	4,458	653,364	715,413
2. Financial assets measured at fair value through other comprehensive income	41,567		41,567	-	127,971	72	127,899	169,466
3. Financial assets designated at fair value	-	-	-	-	-	-	-	-
4. Other financial assets obligatorily measured at fair value	-	-	-	-	-	-	-	-
5. Financial assets held for sale	-	-	-	-	-	-	-	-
Total 31/12/2022	107,481	3,865	103,616	-	785,793	4,530	781,263	884,879
Total 31/12/2021	86,940	1,612	85,328	-	836,294	4,057	832,237	917,564

The gross exposure of impaired assets shows the portion of impaired assets of Banco delle Tre Venezie Spa at the time of the business combination at their fair value (See Part B – Assets Table 4.2).

PORTFOLIOS/QUALITY	Assets with evident poor credit quality		Other assets
	Losses	Net exposure	Net exposure
1. Financial assets held for trading			356
2. Hedging derivatives			
Total 31/12/2022	-	-	356
Total 31/12/2021	-	-	-

A. 1.3 Distribution of financial assets by maturity bands (book values)

(amounts in thousands of Euro)

PORTFOLIOS/QUALITY	First stage			Second stage			Third stage			Purchased or originated impaired		
	Up to 30 days	Over 30 days up to 90 days	Over 90 days	Up to 30 days	Over 30 days up to 90 days	Over 90 days	Up to 30 days	Over 30 days up to 90 days	Over 90 days	Up to 30 days	Over 30 days up to 90 days	Over 90 days
1. Financial assets measured at amortised cost	3,090		-	3,286	2,752	1	135	670	34,099	-	-	20,518
2. Financial assets measured at fair value through other comprehensive income:	-	-	-	-	-	-	-	-	-	-	-	41,567
Total 31/12/2022	3,090	-	-	3,286	2,752	1	135	670	34,099	-	-	62,085
Total 31/12/2021	3,648	-	218	20	1,516	1	227	2,080	30,744	-	-	45,120



A. 1.4 Financial assets, commitments to disburse funds and financial guarantees given: changes in total impairment and provisions

(amounts in thousands of Euro)

Reasons/Risk stages	Total Impairment																						Total provisions for commitments to disburse funds and financial guarantees given			Total
	First stage activities						Second stage activities						Third stage activities						Purchased or Originated Credit Impaired Assets							
	Sight receivables from banks and Central Banks Financial assets measured at amortised cost	Financial assets measured at amortised cost	measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual write-downs	of which: collective write-downs	Sight receivables from banks and Central Banks Financial assets measured at	Financial assets measured at amortised cost	measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual write-downs	of which: collective write-downs	Sight receivables from banks and Central Banks Financial assets measured at amortised cost	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual write-downs	of which: collective write-downs	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual write-downs	of which: collective write-downs	First stage	Second stage	Third stage
Total opening impairment	(69)	(2,991)	(115)	-	-	(2,991)		(952)	-	-	-	(952)	-	(1,612)	-	-	(1,612)	-	-	-	-	-	(240)	(12)	(377)	(6,369)
Increases in purchased or originated financial assets	(41)	(2,065)	(24)	-	-	(2,065)	-	(301)	-	-	-	(301)	-	(139)	-	-	(139)	-	-	-	-	-	-320	(4)	-	(2,759)
Derecognition other than write-offs	35	556	5	-	-	556	-	32	-	-	-	32	-	291	-	-	291	-	-	-	-	-	104	8	-	1,031
Net impairment/reversal of impairments for credit risk (+/-)	(62)	1,300	62	-	-	1,300	-	(110)	-	-	-	(110)	-	41	-	-	41	-	-	-	-	-	115	(16)	377	1,708
Contractual amendments without derecognition	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in estimation methodology	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly in the income statement	-	-	-	-	-	-	-	-	-	-	-	-	-	12,487	-	-	12,487	-	-	-	-	-	-	-	-	12,487
Other changes	-	-	-	-	-	-	-	-	-	-	-	-	-	(14,934)	-	-	(14,934)	-	-	-	-	-	-	-	-	(14,934)
Total closing impairment	(138)	(3,200)	(73)	-	-	(3,200)	-	(1,331)	-	-	-	(1,331)	-	(3,865)	-	-	(3,865)	-	-	-	-	-	(341)	(23)	-	(8,971)
Recoveries from collection on financial assets subject to write-offs	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,158)	-	-	(2,158)	-	-	-	-	-	-	-	-	(2,158)
Write-offs recognised directly in the income statement	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,264)	-	-	(1,264)	-	-	-	-	-	-	-	-	(1,264)

A. 1.5 Financial assets, commitments to disburse funds and financial guarantees given: transfers between the various credit risk stages (gross and nominal values)

(amounts in thousands of Euro)

Portfolios/Risk stages	Gross values / Nominal value					
	Transfers between first stage and second stage		Transfers between second stage and third stage		Transfers between first stage and third stage	
	From first stage to second stage	From second stage to first stage	From second stage to third stage	From third stage to second stage	From first stage to third stage	From third stage to first stage
1. Financial assets measured at amortised cost	17,711	5,154	1,501	410	14,540	18
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 given	29	341	100	297	270	-
Total 31/12/2022	17,740	5,495	1,601	707	14,810	18
Total 31/12/2021	6,294	4,612	210	-	694	-

A. 1.5 a Loans subject to Covid-19 support measures: transfers between the various credit risk stages (gross and nominal values)

(amounts in thousands of Euro)

Portfolios/Risk stages	Gross values / Nominal value					
	Transfers between first stage and second stage		Transfers between second stage and third stage		Transfers between first stage and third stage	
	From first stage to second stage	From second stage to first stage	From second stage to third stage	From third stage to second stage	From first stage to third stage	From third stage to first stage
A. Loans measured at amortised cost	4,667	1,610	464	-	4,757	-
A.1 granted in compliance with GL	-	-	-	-	-	-
A.2 subject to other granting measures	-	-	-	-	-	-
A.3 new loans	4,667	1,610	464	-	4,757	-
B. Loans measured at fair value through other comprehensive income	-	-	-	-	-	-
B.1 granted in compliance with GL	-	-	-	-	-	-
B.2 subject to outstanding moratorium measures no longer in compliance with GL and not evaluated as granted	-	-	-	-	-	-
B.3 subject to other granting measures	-	-	-	-	-	-
B.4 new loans	-	-	-	-	-	-
Total 31/12/2022	4,667	1,610	464	-	4,757	-
Total 31/12/2021	2,165	166	-	-	196	-

A. 1.6 On- and off-balance sheet credit exposures to banks: gross and net values

(amounts in thousands of Euro)

EXPOSURE TYPE/VALUES	Gross exposure					Total impairment and provisions					Net exposure	Total partial write-offs*
		First stage	Second stage	Third stage	Purchased or originated impaired		First stage	Second stage	Third stage	Purchased or originated impaired		
A. ON-BALANCE SHEET CREDIT EXPOSURES												
A.1 SIGHT	32,807	32,807	-	-	-	138	138	-	-	-	32,669	-
a) Impaired		X	-	-	-		X	-	-	-		
b) Non-impaired	32,807	32,807	-	X	-	138	138	-	X	-	32,669	-
A.2 OTHER	6,219	6,219	-	-	-			-	-	-	6,219	-
a) Non-performing	-	X	-	-	-		X	-	-	-	-	-
- of which: exposures subject to concessions	-	X	-	-	-		X	-	-	-	-	-
b) Probable defaults	-	X	-	-	-		X	-	-	-	-	-
- of which: exposures subject to concessions	-	X	-	-	-		X	-	-	-	-	-
c) Impaired past due exposures	-	X	-	-	-		X	-	-	-	-	-
- of which: exposures subject to concessions	-	X	-	-	-		X	-	-	-	-	-
d) Non-impaired past due exposures	-		-	X	-			-	X	-	-	-
- of which: exposures subject to concessions	-		-	X	-			-	X	-	-	-
e) Other non-impaired exposures	6,219	6,219	-	X	-			-	X	-	6,219	-
- of which: exposures subject to concessions	-	-	-	X	-			-	X	-	-	-
Total A	39,025	39,025	-	-	-	138	138	-	-	-	38,888	-
B. OFF-BALANCE SHEET CREDIT EXPOSURES												
a) Impaired	-	-	-	-	-	-	-	-	-	-	-	-
b) Non-impaired	17	17	-	X	-	-	X	-	X	-	17	-
Total B	17	17	-	-	-	-	-	-	-	-	17	-
Total A+B	39,042	39,042	-	-	-	138	138	-	-	-	38,905	-

A. 1.7 On- and off-balance sheet credit exposures to customers: gross and net values

(amounts in thousands of Euro)

EXPOSURE TYPE/VALUES	Gross exposure					Total impairment and provisions					Net exposure	Total partial write-offs*
		First stage	Second stage	Third stage	Purchased or originated impaired		First stage	Second stage	Third stage	Purchased or originated		
A. ON-BALANCE SHEET CREDIT EXPOSURES												
a) Non-performing	86,130	X	-	8,088	78,042	2,122	X	-	2,122	-	84,008	-
- of which: exposures subject to concessions	2,659	X	-	383	2,276	85	X	-	85	-	2,574	-
b) Probable defaults	20,582	X	-	13,587	6,995	1,682	X	-	1,682	-	18,900	-
- of which: exposures subject to concessions	9,542	X	-	7,878	1,664	1,148	X	-	1,148	-	8,394	-
c) Impaired past due exposures	768	X	-	768	-	61	X	-	61	-	707	-
- of which: exposures subject to concessions	35	X	-	35	-	9	X	-	9	-	26	-
d) Non-impaired past due exposures	9,585	3,211	6,374	X	-	456	121	335	X	-	9,129	-
- of which: exposures subject to concessions	2,606	-	2,606	X	-	192	-	192	X	-	2,414	-
e) Other non-impaired exposures	769,989	741,045	28,944	X	-	4,075	3,079	996	X	-	765,914	-
- of which: exposures subject to concessions	15,918	1,368	14,551	X	-	599	-	537	X	-	15,320	-
TOTAL A	887,054	744,256	35,318	22,443	85,038	8,395	3,200	1,331	3,864	-	878,658	-
B. OFF-BALANCE SHEET EXPOSURES												
a) Impaired	1,392	X	-	1,392	-	-	X	-	-	-	1,392	-
b) Non-impaired	96,965	94,942	1,713	X	-	363	340	23	X	-	96,291	-
TOTAL B	98,046	94,942	1,713	1,392	-	363	340	23	-	-	97,683	-
Total A+B	985,100	839,198	37,030	23,835	85,038	8,758	3,448	1,354	3,864	-	976,341	-

A. 1.7a Loans subject to Covid-19 support measures: gross and net values

(amounts in thousands of Euro)

EXPOSURE TYPE/VALUES	Gross exposure					Total impairment and provisions					Net exposure	Total partial write-offs*
		First stage	Second stage	Third stage	Purchased or originated		First stage	Second stage	Third stage	Purchased or originated impaired		
A. NON-PERFORMING LOANS												
a) Subject to concession compliant with GL	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratorium measures no longer in compliance with GL and not evaluated as granted	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other granting measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New loans	-	-	-	-	-	-	-	-	-	-	-	-
B. LOANS IN PROBABLE DEFAULTS	5,199	-	-	5,199	-	670	-	-	670	-	4,528	-
a) Subject to concession compliant with GL	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratorium measures no longer in compliance with GL and not evaluated as granted	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other granting measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New loans	5,199	-	-	5,199	-	670	-	-	670	-	4,528	-
C. IMPAIRED PAST DUE LOANS	170	-	-	170	-	4	-	-	4	-	166	-
a) Subject to concession compliant with GL	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratorium measures no longer in compliance with GL and not evaluated as granted	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other granting measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New loans	170	-	-	170	-	4	-	-	4	-	166	-
D. OTHER NON-IMPAIRED PAST DUE LOANS	1,719	-	1,719	-	-	75	-	75	-	-	1,644	-
a) Subject to concession compliant with GL	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratorium measures no longer in compliance with GL and not evaluated as granted	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other granting measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New loans	1,719	-	1,719	-	-	75	-	75	-	-	1,644	-
E. OTHER NON-IMPAIRED LOANS	142,921	138,796	4,125	-	-	417	371	46	-	-	142,504	-
a) Subject to concession compliant with GL	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratorium measures no longer in compliance with GL and not evaluated as granted	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other granting measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New loans	142,921	138,796	4,125	-	-	417	371	46	-	-	142,504	-
Total A+B+C+D+E	150,012	138,796	5,845	5,370	-	1,168	371	121	675	-	148,843	-

A. 1.8 On-balance sheet credit exposures to banks: changes in gross impaired exposures

The Bank has no outstanding impaired exposures to banks.

A. 1.8bis On-balance sheet credit exposures to banks: changes in gross exposures subject to concessions broken down by credit quality

The Bank has no outstanding exposures subject to concessions to banks.

A. 1.9 On-balance sheet credit exposures to customers: changes in gross impaired exposures

(amounts in thousands of Euro)

REASONS/CATEGORIES	Non-performing	Probable defaults	Impaired past due exposures
A. Opening gross exposure	66,125	16,872	3,917
- of which: exposures transferred not derecognised	-	-	-
B. Increases	79,231	34,211	6,861
B.1 reclassified from non-impaired exposures	7,548	10,788	6,687
B.2 reclassified from Purchased or Originated Credit Impaired Assets	62,086	-	-
B.3 reclassified from other categories of impaired exposures	8,261	7,593	-
B.4 contractual amendments without derecognition	-	-	-
B.5 other increases	1,336	15,829	173
C. Decreases	59,226	30,501	10,011
C.1 transfers to non-impaired exposures	-	1,805	322
C.2 write-offs	38,320	4,558	-
C.3 collections	4,697	4,767	418
C.4 proceeds from sale	-	-	-
C.5 losses from sale	-	-	-
C.6 reclassified to other categories of impaired exposures	-	12,565	9,174
C.7 contractual amendments without derecognition	-	-	-
C.8 other decreases	16,209	6,805	96
D. Final gross exposure	86,130	20,582	767
- of which: exposures transferred not derecognised	-	-	-

A. 1.9bis On-balance sheet credit exposures to customers: changes in gross exposures subject to concessions broken down by credit quality

(amounts in thousands of Euro)

REASONS/CATEGORIES	Impaired exposures subject to concessions	Other exposures subject to concessions
A. Opening gross exposure	14,214	18,730
- of which: exposures transferred not derecognised	-	-
B. Increases	9,968	18,439
B.1 reclassified from non-impaired exposures	-	10,189
B.2 reclassified from Purchased or Originated Credit Impaired Assets	4,766	X
B.3 reclassified from other categories of impaired exposures	X	509
B.4 contractual amendments without derecognition	4,656	-
B.5 other increases	546	7,740
C. Decreases	7,922	18,645
C.1 transfers to non-impaired exposures not subject to concessions	X	3,159
C.2 transfers to non-impaired exposures subject to concessions	509	X
C.3 transfers to impaired exposures subject to concessions	X	4,766
C.4 write-offs	592	
C.5 collections	338	10,515
C.6 proceeds from sale		
C.7 losses from sale		
C.8 other decreases	6,482	204
D. Closing gross exposure	16,260	18,524
- of which: exposures transferred not derecognised		

A. 1.10 Impaired on-balance sheet credit exposures to banks: changes in total impairment

There is no impairment on exposures to banks.

A. 1.1.1. Impaired on-balance sheet credit exposures to customers: changes in total impairment

(amounts in thousands of Euro)

REASONS/CATEGORIES	Non-performing		Probable defaults		Impaired past due exposures	
	Total	of which: exposures subject to concessions	Total	of which: exposures subject to concessions	Total	of which: exposures subject to concessions
A. Total opening impairment	740	-	452	80	420	344
- of which: exposures transferred not derecognised	-	-	42	-	26	-
B. Increases	10,619	743	13,953	3,689	45	6
B.1 impairment of purchased or originated impaired assets	-	X	-	X	1	X
B.2 other impairment	9,333	589	2,245	1,935	44	6
B.3 losses from sale	-	-	-	-	-	-
B.4 reclassified from other categories of impaired exposures	1,284	154	328	328	-	-
B.5 contractual amendments without derecognition	-	-	-	-	-	-
B.6 other increases	-	-	11,379	1,426	-	-
C. Decreases	9,236	658	12,723	2,621	404	341
C.1 reversals from valuation	2,328	189	1,401	761	56	14
C.2 reversals from collection	788	-	5,496	899	2	-
C.3 gains from sale	-	-	-	-	-	-
C.4 write-offs	6,119	469	4,558	820	-	-
C.5 reclassified to other categories of impaired exposures	-	-	1,267	140	346	327
C.6 contractual amendments without derecognition	-	X	-	X	-	X
C.7 other decreases	-	-	-	-	-	-
D. Total closing impairment	2,122	85	1,682	1,148	61	9
- of which: exposures transferred not derecognised	-	-	-	-	-	-

A. 2. CLASSIFICATION OF FINANCIAL ASSETS, COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES GIVEN ACCORDING TO EXTERNAL AND INTERNAL RATINGS

A. 2.1 Distribution of financial assets, commitments to disburse funds and financial guarantees given: by external rating classes (gross values)

(amounts in thousands of Euro)

EXPOSURES	EXTERNAL RATING CLASS						WITHOUT RATING	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Financial assets measured at amortised cost			204,972				547,065	752,037
- First stage	-	-	204,972	-	-	-	415,861	620,833
- Second stage	-	-	-	-	-	-	35,317	35,317
- Third stage	-	-	-	-	-	-	71,924	71,924
- Purchased or originated impaired	-	-	-	-	-	-	23,961	23,961
B. Financial assets measured at fair value through other comprehensive income	-	-	55,103	-	-	-	114,435	169,539
- First stage	-	-	55,103	-	-	-	72,867	127,971
- Second stage	-	-	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-	-	-
- Purchased or originated impaired	-	-	-	-	-	-	41,567	41,567
C. Financial assets held for sale								
- First stage	-	-	-	-	-	-	-	-
- Second stage	-	-	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-	-	-
- Purchased or originated impaired	-	-	-	-	-	-	-	-
Total (A+B+C)	-	-	260,075	-	-	-	661,500	921,576
D. Commitments to disburse funds and financial guarantees given								
- First stage	-	-	-	-	-	-	71,473	71,473
- Second stage	-	-	-	-	-	-	1,712	1,712
- Third stage	-	-	-	-	-	-	1,391	1,391
- Purchased or originated impaired	-	-	-	-	-	-	-	-
Total D	-	-	-	-	-	-	74,578	74,578
Total (A + B + C + D)	-	-	260,075	-	-	-	736,078	996,154

A. 2.2 Distribution of financial assets, commitments to disburse funds and financial guarantees given: by internal rating classes (gross values)

The Bank does not use internal ratings for the calculation of capital absorption for prudential supervisory purposes.

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

A. 3.1 Guaranteed on- and off-balance sheet credit exposures to banks

There are no guaranteed exposures to banks.



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

(amounts in thousands of Euro)

	Gross exposure	Net exposure	Collateral (1)				Personal guarantees (2)									Total
							Credit derivatives					Endorsement credits				
			Properties	Properties – finance leases	Securities	Other collateral	C LN	Other derivatives								
								Central counterparties	Banks	Other financial companies	Other subjects	Public Administrations	Banks	Other financial companies	Other subjects	
1. Guaranteed on-balance sheet credit exposures:	438,957	409,408	150,042	-	180	14,245	-	-	-	-	-	173,086	-	269	46,211	384,037
1.1 fully guaranteed	293,763	268,708	149,750	-	180	12,275	-	-	-	-	-	74,090	-	239	31,095	267,632
- of which impaired	56,325	34,199	20,575	-	-	1,861	-	-	-	-	-	5,538	-	91	6,033	34,099
1.2 partially guaranteed	145,193	140,700	292	-	-	1,970	-	-	-	-	-	98,996	-	29	15,116	116,404
- of which impaired	10,459	6,649	-	-	-	-	-	-	-	-	-	2,723	-	29	2,779	5,533
2. Guaranteed off-balance sheet credit exposures:	38,573	38,346	6,069	-	-	6,967	-	-	-	-	-	4,126	-	781	13,488	31,433
2.1 fully guaranteed	19,134	19,059	6,069	-	-	3,160	-	-	-	-	-	720	-	31	9,028	19,010
- of which impaired	70	70	-	-	-	-	-	-	-	-	-	-	-	-	70	70
2.2 partially guaranteed	19,439	19,287	-	-	-	3,807	-	-	-	-	-	3,406	-	750	4,459	12,423
- of which impaired	1,000	1,000	-	-	-	-	-	-	-	-	-	330	-	-	-	330

A. 4 FINANCIAL AND NON-FINANCIAL ASSETS OBTAINED BY ENFORCEMENT OF GUARANTEES RECEIVED

There are no assets of this kind.

B – DISTRIBUTION AND CONCENTRATION OF CREDIT EXPOSURES

B. 1. Sectoral distribution of on- and off-balance sheet exposures to customers

(amounts in thousands of Euro)

EXPOSURES/COUNTERPARTIES	Public Administrations		Financial companies		Financial companies (of which: insurance companies)		Non-financial companies		Households	
	Net exposure	Total impairment	Net exposure	Total impairment	Net exposure	Total impairment	Net exposure	Total impairment	Net exposure	Total impairment
A. On-balance sheet credit exposures										
A.1 Non-performing	1	-	263	-	-	-	30,196	2,122	53,548	-
- of which: exposures subject to concessions	-	-	-	-	-	-	1,943	85	631	-
A.2 Probable defaults	-	-	-	-	-	-	15,520	1,682	3,380	-
- of which: exposures subject to concessions	-	-	-	-	-	-	7,360	1,148	1,034	-
A.3 Impaired past due exposures	-	-	1	-	-	-	406	23	300	38
- of which: exposures subject to concessions	-	-	-	-	-	-	-	-	25	9
A.4 Non-impaired exposures	329,828	72	43,379	278	-	-	348,270	3,698	53,564	482
- of which: exposures subject to concessions	-	-	-	-	-	-	14,022	705	3,711	84
Total A	329,829	72	43,643	278			394,392	7,525	110,793	520
B. Off-balance sheet exposures										
B.1 Impaired exposures	-	-	-	-	-	-	1,277	-	114	-
B.2 Non-impaired exposures	-	-	1,614	8	-	-	91,874	348	2,802	5
Total B	-	-	1,614	8	-	-	93,151	348	2,916	5
Total (A+B) 31/12/2022	329,829	72	45,257	286	-	-	487,543	7,873	113,710	525
Total (A+B) 31/12/2021	396,017	84	38,338	263	-	-	466,218	4,953	100,191	1,043

B. 2 Territorial distribution of on- and off-balance sheet credit exposures to customers

(amounts in thousands of Euro)

Exposures/ Geographic areas	Italy		Other European countries		America		Asia		Rest of the world	
	Net exposure	Total impairment	Net exposure	Total impairment	Net exposure	Total impairment	Net exposure	Total impairment	Net exposure	Total impairment
A. On-balance sheet credit exposures										
A.1 Non-performing	84,005	2,122	3	-	1	-	-	-	1	-
A.2 Probable defaults	18,508	1,682	-	-	392	-	-	-	-	-
A.3 Impaired past due exposures	706	60	-	-	-	-	-	-	-	-
A.4 Non-impaired exposures	772,085	4,212	2,017	308	938	10	1	-	-	-
Total A	875,304	8,076	2,020	308	1,332	10	1	-	1	-
B. Off-balance sheet credit exposures										
B.1 Impaired exposures	1,391	-	-	-	-	-	-	-	-	-
B.2 Non-impaired exposures	96,139	363	151	-	-	-	-	-	-	-
Total B	97,530	363	151	-	-	-	-	-	-	-
Total (A+B) 31/12/2022	972,834	8,439	2,172	308	1,332	10	1	-	1	-
Total (A+B) 31/12/2021	995,596	6,120	3,769	219	1,400	3	-	-	-	-

Exposures/ Geographic areas	North West Italy		North East Italy		Central Italy		South Italy and Islands	
	Net exposure	Total impairment	Net exposure	Total impairment	Net exposure	Total impairment	Net exposure	Total impairment
A. On-balance sheet credit exposures								
A.1 Non-performing	14,767	744	32,924	1,274	17,036	82	19,278	22
A.2 Probable defaults	3,229	364	14,155	1,211	207	85	917	22
A.3 Impaired past due exposures	-	-	700	59	-	-	6	1
A.4 Non-impaired exposures	55,249	635	377,992	3,344	335,274	187	3,569	44
Total A	73,246	1,744	425,771	5,888	352,518	355	23,771	89
B. Off-balance sheet credit exposures								
B.1 Impaired exposures	-	-	1,391	-	-	-	-	-
B.2 Non-impaired exposures	7,114	16	85,968	337	2,613	3	444	5
Total B	7114	16	87,359	337	2,613	3	444	5
Total (A+B) 31/12/2022	80,361	1,761	513,130	6,225	355,131	358	24,216	95
Total (A+B) 31/12/2021	54,776	1,867	523,090	5,606	402,379	570	15,351	103

B. 3 Territorial distribution of on- and off-balance sheet credit exposures to banks

(amounts in thousands of Euro)

Exposures/ Geographic areas	Italy		Other European countries		America		Asia		Rest of the world	
	Net exposure	Total impairment	Net exposure	Total impairment	Net exposure	Total impairment	Net exposure	Total impairment	Net exposure	Total impairment
A. On-balance sheet credit exposures										
A.1 Non-performing	-	-	-	-	-	-	-	-	-	-
A.2 Probable defaults	-	-	-	-	-	-	-	-	-	-
A.3 Impaired past due exposures	-	-	-	-	-	-	-	-	-	-
A.4 Non-impaired exposures	38,824	137	64	-	-	-	-	-	-	-
Total A	38,824	137	64	-	-	-	-	-	-	-
B. Off-balance sheet credit exposures										
B.1 Impaired exposures	-	-	-	-	-	-	-	-	-	-
B.2 Non-impaired exposures	-	-	17	-	-	-	-	-	-	-
Total B	-	-	17	-	-	-	-	-	-	-
Total (A+B) 31/12/2022	38,824	137	81	-	-	-	-	-	-	-
Total (A+B) 31/12/2021	31,843	68	1,692	1	-	-	85	-	-	-

EXPOSURES/GEOGRAPHICAL AREAS		North West Italy		North East Italy		Central Italy		South Italy and Islands	
		Net exposure	Total impairment	Net exposure	Total impairment	Net exposure	Total impairment	Net exposure	Total impairment
A. On-balance sheet credit exposures		-	-	-	-	-	-	-	-
A.1 Non-performing		-	-	-	-	-	-	-	-
A.2 Probable defaults		-	-	-	-	-	-	-	-
A.3 Impaired past due exposures		-	-	-	-	-	-	-	-
A.4 Non-impaired exposures		37,952	91	-	-	872	46	-	-
TOTAL A		37,952	91	-	-	872	46	-	-
B. Off-balance sheet credit exposures		-	-	-	-	-	-	-	-
B.1 Impaired exposures		-	-	-	-	-	-	-	-
B.2 Non-impaired exposures		-	-	-	-	-	-	-	-
TOTAL B		-	-	-	-	-	-	-	-
TOTAL (A+B)	31/12/2022	37,952	91	-	-	872	46	-	-
TOTAL (A+B)	31/12/2021	54,776	1,867	523,090	44,855	402,379	570	15,351	103

B.4 Large exposures

(amounts in thousands of Euro)

	31/12/2022	31/12/2021
a) Book value	706,784	674,469
b) Weighted value	57,181	72,037
b) Number	8	15

E – SALE TRANSACTIONS

Financial assets sold and not fully derecognised – Qualitative information

The realised self-securitisation transaction, from an accounting point of view, results in the recognition of the amounts among the assets sold and not fully derecognised. These are performing mortgage and unsecured loans granted to customers in the SME category.

The transactions were resolved and carried out as part of the process of operational and prospective management of the Bank's liquidity; the related risks correspond to those related to the underlying assets (the loans sold), while the returns are represented by the interest income on the securities issued by the special purpose vehicles, for the portion held in the Bank's portfolio, which corresponds to the interest on the mortgage loans sold net of the expenses related to the operation of the transaction.

The securities issued by the vehicle Magnolia Btv are included in its proprietary portfolio (senior and junior tranches), and have the following ratings at the time of drafting this document: Magnolia Btv: "AA (high) (sf)" from DBRS and "A (sf)" from S&P.

Liabilities include an amount of Euro 103 million for the related assets sold but not derecognised.

E.1 Financial assets sold recognised in full and associated financial liabilities: book values

(amounts in thousands of Euro)

TECHNICAL FORMS/PORTFOLIO	Financial assets sold recognised in full				Associated financial liabilities		
	Book value	of which: subject to securitisation transactions	of which: subject to sales contracts with repurchase agreement	of which: impaired	Book value	of which: subject to securitisation transactions	of which: subject to sales contracts with repurchase agreement
A. Financial assets held for trading							
1. Debt securities	-	-	-	X	-	-	-
2. Capital securities	-	-	-	X	-	-	-
3. Loans	-	-	-	X	-	-	-
4. Derivatives	-	-	-	X	-	-	-
B. Other financial assets obligatorily measured at fair value							
1. Debt securities	-	-	-	-	-	-	-
2. Capital 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	14,956		14,956		(14,967)		(14,967)
1. Debt securities	14,956	-	14,956	-	(14,967)	-	(14,967)
2. Capital securities	-	-	-	-	-	-	-
3. Loans	-	-	-	-	-	-	-
E. Financial assets measured at amortised cost	186,966	186,966	-	-	(103,503)	(103,503)	-
1. Debt securities	-	-	-	-	-	-	-
2. Loans	186,966	186,966	-	-	(103,503)	(103,503)	-
Total 31/12/2022	201,922	186,966	14,956	-	(136,667)	(103,503)	(14,967)
Total 31/12/2021	241,280	241,280	-	-	(157,055)	(157,055)	-

F. MODELS FOR MEASURING CREDIT RISK

Cherry Bank does not use internal portfolio models to measure credit risk exposure, nor does it use internal models to calculate credit risk capital requirements. However, management methods are in use – the main one being the aforementioned CRS (Credit Rating System) – for assigning a counterparty rating to customers. Ratings constitute one of the information elements supporting the analysis of positions within the framework of credit risk management and monitoring; they are used, together with other parameters, to define the perimeter of automatic renewals and to manage files within the Credit Quality Manager procedure (Credit Monitoring), which regulates the intervention of control structures in cases of anomalies on potentially dangerous credit positions. The same classification of customers by rating classes (homogeneous risk categories) is used to quantify the collective assessment of performing loans.

Section 2 – MARKET RISKS

2.1 INTEREST RATE RISK AND PRICE RISK – SUPERVISORY TRADING BOOK

QUALITATIVE INFORMATION

A. General aspects

The investment process of the proprietary portfolio is structured and formalised in the resolutions of the Board of Directors; the asset allocation takes into account: the management trend in terms of volumes, profitability and capital absorption; market analysis and forecasts on evolutions; the risk profile of the investments.

The profitability and composition targets are set in line with the capital allocation and interest rate risk management policies outlined in the Business Plans and the budget, and appropriately take into account the Bank's overall liquidity position from time to time, with a view to supporting the treasury function.

The interest rate risk of the trading book for supervisory purposes is reviewed periodically.

With regard to price risk, investment activity in equity instruments is also marginal and that in mutual funds and Sicavs is very limited.

B. Management processes and methods for measuring interest rate risk and price risk

Market risk management and related responsibilities are the responsibility of the CEO, who relies on the Finance Function and in particular the Treasury and Finance Office.

No internal models are used to calculate market risk capital requirements.

QUANTITATIVE INFORMATION

At 31/12/2022, the VaR inherent in the trading portfolio arising from interest rate risk was nil, as there were no securities classified in this type of portfolio. This exposure was constantly verified and monitored.

The equity VaR on the trading portfolio was nil, as there was no exposure in capital securities at year-end.

1. Supervisory trading book: distribution by residual maturity (repricing date) of on-balance sheet financial assets and liabilities and financial derivatives

Currency: Euro

(amounts in thousands of Euro)

TYPE/RESIDUAL MATURITY	sight	Up to 3 months	over 3 months up to 6 months	over 6 months up to 1 year	over 1 year up to 5 years	over 5 years up to 10 years	Over 10 years	indefinite maturity
1. On-balance sheet assets	-	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	-	-	-	-	-	-	-	-
2.1 Reverse repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	70	-	-	-	-	-	-
3.1 With underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities	-	70	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	70	-	-	-	-	-	-
- Long positions	-	454	-	-	-	-	-	-
- Short positions	-	384	-	-	-	-	-	-

Currency: US Dollar

(amounts in thousands of Euro)

TYPE/RESIDUAL MATURITY	sight	Up to 3 months	over 3 months up to 6 months	over 6 months up to 1 year	over 1 year up to 5 years	over 5 years up to 10 years	Over 10 years	indefinite maturity
1. On-balance sheet assets	-	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	-	-	-	-	-	-	-	-
2.1 Reverse repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	(57)	-	-	-	-	-	-
3.1 With underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities	-	(57)	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	(57)	-	-	-	-	-	-
- Long positions	-	385	-	-	-	-	-	-
- Short positions	-	442	-	-	-	-	-	-

Currency: GB Pound

(amounts in thousands of Euro)

TYPE/RESIDUAL MATURITY	sight	Up to 3 months	over 3 months up to 6 months	over 6 months up to 1 year	over 1 year up to 5 years	over 5 years up to 10 years	Over 10 years	indefinite maturity
1. On-balance sheet assets	-	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	-	-	-	-	-	-	-	-
2.1 Reverse repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	(11)	-	-	-	-	-	-
3.1 With underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities	-	(11)	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	(11)	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-
- Short positions	-	11	-	-	-	-	-	-

2.2 INTEREST RATE AND PRICE RISK – BANKING BOOK

QUALITATIVE INFORMATION

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

The main sources of interest rate risk on financial assets and liabilities, other than those discussed in the previous point, derive from the financial profile and the types of indexation to which the various items are subject. Fixed-rate items have a significant impact on both assets and, above all, liabilities. The exposure of the banking book to interest rate risk is monitored by Risk Management, which verifies on a monthly basis (using a special tool provided by Cedacri and Prometeia) the Bank's sensitivity to interest rate risk in terms of the impact of a change in rates on the net value of equity and interest margin, applying the methodology proposed by the Bank of Italy in the so-called "Second Pillar." For the calculation of the regulatory capital requirement, Cherry Bank uses the methodology set out in Annex C and C-bis of Title III – Chapter 1 of Circular No. 285/2013 of the Bank of Italy. The rationale of this approach is to identify the potential loss that the Bank may suffer in the event of a shock of +/- 200 basis points rather than in the EBA shock scenarios.

QUANTITATIVE INFORMATION

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

Currency: Euro

TYPE/RESIDUAL MATURITY	sight	Up to 3 months	over 3 months up to 6 months	over 6 months up to 1 year	over 1 year up to 5 years	over 5 years up to 10 years	Over 10 years	indefinite maturity
1. On-balance sheet assets	150,248	345,421	109,795	4,150	213,326	33,126	35,488	-
1.1 Debt securities	-	70,395	60,173	332	175,736	30,087	1,034	-
- with early redemption option	-	180	151	332	895	-	1,034	-
- others	-	70,215	60,021	-	174,841	30,087	-	-
1.2 Loans to banks	35,542	-	-	-	703	-	-	-
1.3 Loans to customers	114,706	275,025	49,622	3,818	36,888	3,039	34,454	-
- current account	33,289	-	573	3	13,264	226	-	-
- other loans	81,417	275,025	49,049	3,815	23,624	2,813	34,454	-
- with early redemption option	63,141	270,041	7,076	3,558	16,732	2,269	3,770	-
- others	18,276	4,983	41,973	257	6,892	545	30,684	-
2. On-balance sheet liabilities	448,347	98,420	11,478	77,311	346,545	192	5	-
2.1 Payables to customers	448,343	3,436	11,478	17,962	183,706	192	5	-
- current account	448,149	2,614	5,334	16,771	157,360	-	-	-
- other payables	194	822	6,144	1,191	26,346	192	5	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	194	822	6,144	1,191	26,346	192	5	-
2.2 Payables to banks	3	95,984	-	59,349	162,840	-	-	-
- current account	-	-	-	-	-	-	-	-
- other payables	3	94,984	-	59,349	162,840	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
3. Financial derivatives	-	(119)	-	9	-	-	-	-
3.1 With underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities	-	(119)	-	9	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	(119)	-	9	-	-	-	-
+ Long positions	-	2,830	-	3,776	-	-	-	-
+ Short positions	-	2,949	-	3,767	-	-	-	-
4. Other off-balance sheet transactions	-	-	-	-	-	-	-	-
+ Long positions	60	-	-	-	-	-	-	-
+ Short positions	60	-	-	-	-	-	-	-

Currency: US Dollar

TYPE/RESIDUAL MATURITY	sight	Up to 3 months	over 3 months up to 6 months	over 6 months up to 1 year	over 1 year up to 5 years	over 5 years up to 10 years	Over 10 years	indefinite maturity
1. On-balance sheet assets	2,384	239	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
1.2 Loans to banks	2,383	-	-	-	-	-	-	-
1.3 Loans to customers	1	239	-	-	-	-	-	-
- current account	1	-	-	-	-	-	-	-
- other loans	-	239	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	4,977	-	-	-	-	-	-	-
2.1 Payables to customers	4,977	-	-	-	-	-	-	-
- current account	4,977	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
2.2 Payables to banks	-	-	-	-	-	-	-	-
- current account	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
3. Financial derivatives	-	2,494	-	(1)	-	-	-	-
3.1 With underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities	-	2,494	-	(1)	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	2,494	-	(1)	-	-	-	-
+ Long positions	-	2,948	-	4,045	-	-	-	-
+ Short positions	-	454	-	4,046	-	-	-	-
4. Other off-balance sheet transactions	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

Currency: GB Pound

TYPE/RESIDUAL MATURITY	sight	Up to 3 months	over 3 months up to 6 months	over 6 months up to 1 year	over 1 year up to 5 years	over 5 years up to 10 years	Over 10 years	indefinite maturity
1. On-balance sheet assets	68	2,102	-	(6)	(16)	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
1.2 Loans to banks	68	-	-	-	-	-	-	-
1.3 Loans to customers	-	2,102	-	(6)	(16)	-	-	-
- current account	-	-	-	-	-	-	-	-
- other loans	-	2,102	-	(6)	(16)	-	-	-
- with early redemption option	-	2,102	-	(6)	(16)	-	-	-
- others	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	14	-	-	-	-	-	-	-
2.1 Payables to customers	14	-	-	-	-	-	-	-
- current account	14	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
2.2 Payables to banks	-	-	-	-	-	-	-	-
- current account	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
3. Financial derivatives	-	(2,142)	-	-	-	-	-	-
3.1 With underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities	-	(2,142)	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	(2,142)	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	2,142	-	-	-	-	-	-
4. Other off-balance sheet transactions	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

Currency: Swiss Franc

TYPE/RESIDUAL MATURITY	sight	Up to 3 months	over 3 months up to 6 months	over 6 months up to 1 year	over 1 year up to 5 years	over 5 years up to 10 years	Over 10 years	indefinite maturity
1. On-balance sheet assets	150	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
1.2 Loans to banks	150	-	-	-	-	-	-	-
1.3 Loans to customers	-	-	-	-	-	-	-	-
- current account	-	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	-	-	-	-	-	-	-	-
2.1 Payables to customers	-	-	-	-	-	-	-	-
- current account	-	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
2.2 Payables to banks	-	-	-	-	-	-	-	-
- current account	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
3. Financial derivatives	-	(160)	-	-	-	-	-	-
3.1 With underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities	-	(160)	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	(160)	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	160	-	-	-	-	-	-
4. Other off-balance sheet transactions	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

Currency: Hong Kong Dollar

TYPE/RESIDUAL MATURITY	sight	Up to 3 months	over 3 months up to 6 months	over 6 months up to 1 year	over 1 year up to 5 years	over 5 years up to 10 years	Over 10 years	indefinite maturity
1. On-balance sheet assets	6	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
1.2 Loans to banks	6	-	-	-	-	-	-	-
1.3 Loans to customers	-	-	-	-	-	-	-	-
- current account	-	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	-	-	-	-	-	-	-	-
2.1 Payables to customers	-	-	-	-	-	-	-	-
- current account	-	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
2.2 Payables to banks	-	-	-	-	-	-	-	-
- current account	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
3. Financial derivatives	-	-	-	-	-	-	-	-
3.1 With underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet transactions	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

Currency: South Africa and Namibia Rand

TYPE/RESIDUAL MATURITY	sight	Up to 3 months	over 3 months up to 6 months	over 6 months up to 1 year	over 1 year up to 5 years	over 5 years up to 10 years	Over 10 years	indefinite maturity
1. On-balance sheet assets	6	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
1.2 Loans to banks	6	-	-	-	-	-	-	-
1.3 Loans to customers	-	-	-	-	-	-	-	-
- current account	-	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	-	-	-	-	-	-	-	-
2.1 Payables to customers	-	-	-	-	-	-	-	-
- current account	-	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
2.2 Payables to banks	-	-	-	-	-	-	-	-
- current account	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
3. Financial derivatives	-	-	-	-	-	-	-	-
3.1 With underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet transactions	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

Currency: Other currencies

TYPE/RESIDUAL MATURITY	sight	Up to 3 months	over 3 months up to 6 months	over 6 months up to 1 year	over 1 year up to 5 years	over 5 years up to 10 years	Over 10 years	indefinite maturity
1. On-balance sheet assets	29	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
1.2 Loans to banks	29	-	-	-	-	-	-	-
1.3 Loans to customers	-	-	-	-	-	-	-	-
- current account	-	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	-	-	-	-	-	-	-	-
2.1 Payables to customers	-	-	-	-	-	-	-	-
- current account	-	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
2.2 Payables to banks	-	-	-	-	-	-	-	-
- current account	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
3. Financial derivatives	-	-	-	-	-	-	-	-
3.1 With underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet transactions	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

2. Banking book: internal models and other methodologies for sensitivity analysis

The analysis of interest rate risk on the banking book during 2022 was performed using the methodology proposed in the “Supervisory Provisions for Banks” issued by the Bank of Italy in Circular No. 285 of 17/12/2013 and subsequent updates. The riskiness index as of 31/12/2022, calculated by applying a parallel scenario of +/- 200 basis points, is below the supervisory test attention threshold required by the Bank of Italy, set at 20%. As required by the EBA Guidelines on interest rate risk management, the Risk Management function performs an analysis of the interest rate riskiness index of the banking book considering alternative variations to the +/- 200 basis points scenario.

The predicted scenarios are as follows, the results of which did not show that the attention threshold was exceeded:

- Flattener shock (short rates up and long rates down);
- Steepener (short rates down and long rates up);
- Short rates shock up;
- Short rates shock down.

2.3 EXCHANGE RATE RISK

QUALITATIVE INFORMATION

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

The role of the Bank's foreign currency operations reduced significantly overall, as is the imbalance between foreign currency-denominated assets and liabilities. This is reflected in an almost zero risk for currencies other than the Euro.

B. Exchange rate risk hedging activities

In view of the low overall amount of the exposures, which would make the use of derivative hedges not very convenient, no specific exchange rate risk hedges are made.

QUANTITATIVE INFORMATION

1. Distribution by currency of assets, liabilities and derivatives

(amounts in thousands of Euro)

Items	CURRENCIES					
	US Dollar	GB Pound	Swiss Franc	People's Republic of China Yuan	Turkish Lira	Other currencies
A. Financial assets	2,622	2,149	149	6	6	29
A.1 Debt securities	-	-	-	-	-	-
A.2 Capital securities	-	-	-	-	-	-
A.3 Loans to banks	2,382	68	149	6	6	29
A.4 Loans to customers	239	2,080	-	-	-	-
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	93					
C. Financial liabilities	4,977	14	-	-	-	-
C.1 Payables to banks	-	-	-	-	-	-
C.2 Payables to customers	4,977	14	-	-	-	-
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	93	-	-	-	-	-
E. Financial derivatives	2,346	(2,153)	(159)	-	-	-
- Options	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-
- Other derivatives	2,346	(2,153)	(159)	-	-	-
+ Long positions	7,377	-	-	-	-	-
+ Short positions	4,941	2,153	159	-	-	-
Total assets	10,093	2,149	149	6	6	29
Total liabilities	10,012	2,168	159	-	-	-
Imbalance (+/-)	81	-18	-9	5	6	29

2. Internal models and other methodologies for sensitivity analysis

The Bank has not adopted internal models.

Section 3 – DERIVATIVE INSTRUMENTS AND HEDGING POLICIES

3.1 TRADING DERIVATIVE INSTRUMENTS

At 31 December 2022, Cherry Bank only had three derivative transactions in place for its own account. Currency swaps are aimed at temporarily transforming the liquidity expressed in one currency into that of another currency, without changing the exchange rate risk, within the foreign exchange position and the liquid position of all currencies in which the Treasury operates (mainly in Euro).

A – FINANCIAL DERIVATIVES

A. 1 Trading financial derivatives: notional values at end of period

(amounts in thousands of Euro)

(amounts in thousands of Euro)

UNDERLYING ASSETS/DERIVATIVE TYPES	TOTAL 31/12/2022				TOTAL 31/12/2021			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With compensation agreements	Without compensation agreements			With compensation agreements	Without compensation agreements	
1. Debt securities and interest rates								
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Others	-	-	-	-	-	-	-	-
2. Capital securities and equity indices								
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Others	-	-	-	-	-	-	-	-
3. Currencies and gold			13,794				3,887	
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forward	-	-	13,794	-	-	-	3,887	-
d) Futures	-	-	-	-	-	-	-	-
e) Others	-	-	-	-	-	-	-	-
4. Goods	-	-	-	-	-	-	-	-
5. Other underlying	-	-	-	-	-	-	-	-
TOTAL	-	-	13,794	-	-	-	3,887	-

A.2 Trading financial derivatives: positive and negative gross fair value – breakdown by product

(amounts in thousands of Euro)

DERIVATIVE TYPES	TOTAL 31/12/2022				TOTAL 31/12/2021			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With compensation agreements	Without compensation agreements			With compensation agreements	Without compensation agreements	
1. Positive fair value								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forward	-	-	356	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Others	-	-	-	-	-	-	-	-
Total			356					
2. Negative fair value								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forward	-	-	290	-	-	-	64	-
f) Futures	-	-	-	-	-	-	-	-
g) Others	-	-	-	-	-	-	-	-
Total	-	-	290	-	-	-	64	-

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

(amounts in thousands of Euro)

Underlying assets	Governments and Central Banks	Banks	Other Financial Companies	Other subjects
Contracts not covered by compensation agreements				
1) Debt securities and interest rates	-	-	-	-
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Capital securities and equity indices	-	-	-	-
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold	-	9,662	-	4,777
- notional value	-	9,295	-	4,498
- positive fair value	-	76	-	279
- negative fair value	-	290	-	-
4) Goods	-	-	-	-
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Others	-	-	-	-
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
Contracts covered by compensation agreements				
1) Debt securities and interest rates	-	-	-	-
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Capital securities and equity indices	-	-	-	-
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold	-	-	-	-
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Goods	-	-	-	-
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Others	-	-	-	-
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual life of OTC trading financial derivatives: notional values

(amounts in thousands of Euro)

UNDERLYING/RESIDUAL LIFE	Up to 1 year	Over 1 year up to 5 years	Over 5 years	TOTAL
A1. Financial derivatives on debt securities and interest rates	-	-	-	-
A2. Financial derivatives on capital securities and equity indices	-	-	-	-
A3. Financial derivatives on currencies and gold	13,794	-	-	13,794
A4. Financial derivatives on goods	-	-	-	-
A5. Other financial derivatives	-	-	-	-
Total 31/12/2022	13,794	-	-	13,794
Total 31/12/2021	3,887	-	-	3,887

Section 4 – LIQUIDITY RISK

QUALITATIVE INFORMATION

A. General aspects, management processes and methods for measuring liquidity risk

Liquidity risk typically manifests itself in the form of a failure to meet payment commitments or an inability to fund assets with the necessary timeliness and in an economical manner due to an inability to raise funds or to obtain them at a reasonable cost (funding liquidity risk) or due to an inability to sell a position at economically advantageous market prices (market liquidity risk). Cherry Bank's overall liquidity risk management strategy provides for the adoption of specific management guidelines with the aim of reducing the probability of the occurrence of the favourable circumstances described above.

The liquidity position at 31 December 2022 is balanced in terms of cash holdings.

Liquid assets are determined by reference to the assets that can be refinanced with the Central Bank, net of the appropriate haircuts (i.e. the discount to the value of the asset), plus the eligible securities (senior tranches for open market operations with the ECB) resulting from the self-securitisation transaction that took place in the financial year 2019 and increased in the course of 2021.

The Bank's policy is to raise funds for its activities mainly from corporate and private funding; during 2022, new forms of online funding were launched to diversify and make funding sources more granular.

The proprietary securities portfolio at 31 December 2022 includes a preponderant portion of ECB-eligible securities that could be used to manage any liquidity gaps in case of need and that still allow the Bank's liquidity management policy to be confirmed as reliable even in stress situations.

From the perspective of risk governance, the Board of Directors is responsible for defining the liquidity risk tolerance threshold and policies related to this type of risk. The same Board also approved the RAF and the Contingency Funding Plan in which these thresholds are described, as well as the

organisational and methodological choices made to monitor, control and manage liquidity risk.

The risk assessment meets the minimum requirements of the Supervisory Authority's regulations, in which no indication is given for capital to be set aside for supervisory purposes, but risk monitoring methodologies are indicated with the following tools:

- LCR – Liquidity Coverage Ratio;
- NSFR – Net Stable Funding Ratio;
- Maturity Ladder;
- Concentration indices;
- Contingency Funding Plan.

These methodologies used by the Bank make it possible to monitor risk and identify appropriate risk management policies in the event of a crisis.

Liquidity risk is controlled at several levels:

- operationally, the Treasury and Finance Office makes management decisions regarding the day-to-day maintenance of the balance of the liquidity position through the management of short-term interbank relationships;
- on a daily basis, the Treasury and Finance Office prepares a report comparing 1-week and 1-month income and expenditure in order to verify the balance between short-term liquidity needs and the Bank's liquidity position;
- on a weekly and monthly basis, the Risk Management monitors the LCR indicator; on a monthly basis it monitors the incoming and outgoing amounts related to contractual maturities for assets and liabilities and the counterbalancing capacity, i.e. the assets that are readily liquid and available to meet immediate liquidity needs. On a monthly basis, it monitors the concentration level of funding, while on a quarterly basis, it monitors the trend of the NSFR against the reporting templates.

QUANTITATIVE INFORMATION

4.1 Time distribution of financial assets and liabilities by contractual residual maturity

Currency: EURO

(amounts in thousands of Euro)

ITEMS/TIME FRAMES	sight	over 1 day up to 7 days	over 7 days up to 15 days	over 15 days up to 1 month	over 1 month up to 3 months	over 3 months up to 6 months	over 6 months up to 1 year	over 1 year up to 5 years	over 5 years	indefinite maturity
On-balance sheet assets	65,006	2,760	3,166	10,788	99,470	52,103	46,100	470,708	125,148	41,567
A.1 Government securities	398	-	202	-	70,145	15,835	1,006	210,000	30,000	-
A.2 Other debt securities	6	-	-	-	302	390	587	6,032	1,086	-
A.3 UCITS units	1,288	-	-	-	-	-	-	-	-	-
A.4 Loans	63,312	2,760	2,963	10,788	29,022	35,877	44,507	254,676	94,062	41,567
- Banks	35,659	-	-	-	-	-	-	702	-	-
- Customers	27,653	2,760	2,963	10,788	29,022	35,877	44,507	253,973	94,062	41,567
On-balance sheet liabilities	448,407	95,020	12	287	3,087	6,792	80,250	350,872	196	-
B.1 Deposits and current accounts	448,300	80,048	-	285	2,237	5,357	16,911	178,727	-	-
- Banks	3	80,038	-	-	-	-	-	-	-	-
- Customers	448,297	10	-	285	2,237	5,357	16,911	178,727	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	106	14,971	12	1	850	1,434	63,338	172,144	196	-
Off-balance sheet transactions	-59	-	-	-	-	-	-	56	3	-
C.1 Financial derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	742	-	2,541	-	-	3,775	-	-	-
- Short positions	-	670	2,500	161	-	-	3,767	-	-	-
C.2 Financial derivatives without capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to disburse funds	(59)	-	-	-	-	-	-	56	3	-
- Long positions	-	-	-	-	-	-	-	56	3	-
- Short positions	59	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

4.1 Time distribution of financial assets and liabilities by contractual residual maturity

Currency: US DOLLAR

(amounts in thousands of Euro)

ITEMS/TIME FRAMES	sight	over 1 day up to 7 days	over 7 days up to 15 days	over 15 days up to 1 month	over 1 month up to 3 months	over 3 months up to 6 months	over 6 months up to 1 year	over 1 year up to 5 years	over 5 years	indefinite maturity
On-balance sheet assets	2,400	-	-	242	-	-	-	-	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans	2,400	-	-	242	-	-	-	-	-	-
- Banks	2,399	-	-	-	-	-	-	-	-	-
- Customers	1	-	-	242	-	-	-	-	-	-
On-balance sheet liabilities	4,977	-	-	-	-	-	-	-	-	-
B.1 Deposits and current accounts	4,977	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	4,977	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	-	-	-	-	-	-	-	-	-	-
C.1 Financial derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	666	2,494	172	-	-	4,044	-	-	-
- Short positions	-	723	-	172	-	-	4,045	-	-	-
C.2 Financial derivatives without capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

4.1 Time distribution of financial assets and liabilities by contractual residual maturity Currency: GB POUND

(amounts in thousands of Euro)

ITEMS/TIME FRAMES	sight	over 1 day up to 7 days	over 7 days up to 15 days	over 15 days up to 1 month	over 1 month up to 3 months	over 3 months up to 6 months	over 6 months up to 1 year	over 1 year up to 5 years	over 5 years	indefinite maturity
On-balance sheet assets	70	-	-	461	-	-	454	1,267	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans	70	-	-	461	-	-	454	1,267	-	-
- Banks	70	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	461	-	-	454	1,267	-	-
On-balance sheet liabilities	14	-	-	-	-	-	-	-	-	-
B.1 Deposits and current accounts	14	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	14	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	-	-	-	-	-	-	-	-	-	-
C.1 Financial derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	11	-	2,142	-	-	-	-	-	-
C.2 Financial derivatives without capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

4.1 Time distribution of financial assets and liabilities by contractual residual maturity

Currency: SWISS FRANC

(amounts in thousands of Euro)

ITEMS/TIME FRAMES	sight	over 1 day up to 7 days	over 7 days up to 15 days	over 15 days up to 1 month	over 1 month up to 3 months	over 3 months up to 6 months	over 6 months up to 1 year	over 1 year up to 5 years	over 5 years	indefinite maturity
On-balance sheet assets	151	-	-	-	-	-	-	-	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans	151	-	-	-	-	-	-	-	-	-
- Banks	151	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
On-balance sheet liabilities	-	-	-	-	-	-	-	-	-	-
B.1 Deposits and current accounts	-	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	-	-	-	-	-	-	-	-	-	-
C.1 Financial derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	160	-	-	-	-	-	-
C.2 Financial derivatives without capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

4.1 Time distribution of financial assets and liabilities by contractual residual maturity

Currency: HONG KONG DOLLAR

(amounts in thousands of Euro)

ITEMS/TIME FRAMES	sight	over 1 day up to 7 days	over 7 days up to 15 days	over 15 days up to 1 month	over 1 month up to 3 months	over 3 months up to 6 months	over 6 months up to 1 year	over 1 year up to 5 years	over 5 years	indefinite maturity
On-balance sheet assets	6	-	-	-	-	-	-	-	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans	6	-	-	-	-	-	-	-	-	-
- Banks	6	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
On-balance sheet liabilities	-	-	-	-	-	-	-	-	-	-
B.1 Deposits and current accounts	-	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	-	-	-	-	-	-	-	-	-	-
C.1 Financial derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.2 Financial derivatives without capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

4.1 Time distribution of financial assets and liabilities by contractual residual maturity

Currency: SOUTH AFRICA AND NAMIBIA RAND

(amounts in thousands of Euro)

ITEMS/TIME FRAMES	sight	over 1 day up to 7 days	over 7 days up to 15 days	over 15 days up to 1 month	over 1 month up to 3 months	over 3 months up to 6 months	over 6 months up to 1 year	over 1 year up to 5 years	over 5 years	indefinite maturity
On-balance sheet assets	7	-	-	-	-	-	-	-	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans	7	-	-	-	-	-	-	-	-	-
- Banks	7	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
On-balance sheet liabilities	-	-	-	-	-	-	-	-	-	-
B.1 Deposits and current accounts	-	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	-	-	-	-	-	-	-	-	-	-
C.1 Financial derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.2 Financial derivatives without capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

4.1 Time distribution of financial assets and liabilities by contractual residual maturity

Currency: OTHER CURRENCIES

(amounts in thousands of Euro)

ITEMS/TIME FRAMES	sight	over 1 day up to 7 days	over 7 days up to 15 days	over 15 days up to 1 month	over 1 month up to 3 months	over 3 months up to 6 months	over 6 months up to 1 year	over 1 year up to 5 years	over 5 years	indefinite maturity
On-balance sheet assets	423	-	-	-	-	-	-	-	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans	423	-	-	-	-	-	-	-	-	-
- Banks	30	-	-	-	-	-	-	-	-	-
- Customers	393	-	-	-	-	-	-	-	-	-
On-balance sheet liabilities	-	-	-	-	-	-	-	-	-	-
B.1 Deposits and current accounts	-	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	-	-	-	-	-	-	-	-	-	-
C.1 Financial derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.2 Financial derivatives without capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

Section 5 – OPERATIONAL RISKS

QUALITATIVE INFORMATION

A. General aspects, management processes and methods for measuring operational risk

Operational risk is the risk of suffering losses resulting from inadequate or failed procedures, human resources and internal systems, or from exogenous events. This includes, *inter alia*, losses resulting from fraud, human errors, business disruptions, system unavailability, breach of contracts, legal risks, and natural disasters.

Operational risks are monitored by the various units that follow operations through first-level, i.e. line controls.

Risk Management in 2022 adopted a best practice-oriented methodology for operational risk management, which included the strengthening of the Loss Data Collection process and the set up of a Risk Self Assessment framework; moreover, training was provided to all the Bank's structures.

In addition, to guard against the occurrence of operational risks, the "Business Continuity Plan" has been prepared and is constantly updated, aimed at protecting the Bank against critical events that may affect its full operations. In this regard, it should be noted that following the evolution of the spread of the Covid-19 Coronavirus, the Business Continuity Plan was implemented in order to maintain an adequate level of the Bank's operations, aimed also at favouring agile forms of work underpinning a solid IT architecture protected from and against potential operational risks.

Cherry Bank adopts the BIA Basic Indicator Approach required by the Bank of Italy's Supervisory Provisions to calculate the capital requirement for operational risk.

Operational losses against this risk are monitored by Risk Management, which is also responsible for validating the calculation of the relevant capital requirement. Over the last three years, the sum of these losses was well below the capital requirement of the regulations, calculated by applying the ratio of 15% of the average adjusted intermediation margin of the last three years.

The Public Disclosure, pursuant to Bank of Italy Circular No. 285 of 17.12.2013, will be published on Cherry Bank's website www.cherrybank.it – section "Public Disclosures".

PART F – INFORMATION ON EQUITY

Section 1 – COMPANY EQUITY

A. Qualitative information

Company equity consists of the share capital and reserves, howsoever constituted.

In particular, the Bank is subject to the capital adequacy requirements of the Supervisory Provisions issued by the Bank of Italy. According to these rules, the ratio of capital to risk-weighted assets must be at least equal to the following parameters in 2022:

- Common Equity Tier 1 (CET 1) of 7%;
- Tier 1 ratio of 8.5%;
- Total Capital ratio of 10.5%.

Compliance with the aforementioned parameters is not only monitored on a quarterly basis, but is also the subject of prospective analysis and simulations during strategic and operational planning (drafting of strategic plans and budgets). Similarly, assessments of how to pursue asset management objectives are one of the cornerstones of strategic planning, as capital adequacy is an essential driver for any development project.

B. Quantitative information

B1. Company equity: breakdown

(amounts in thousands of Euro)

ITEMS/VALUES	31/12/2022	31/12/2021
1. Capital	44,638	44,638
2. Share premiums	716	716
3. Reserves	-3,204	-14,948
Profits	-3,204	-14,948
a) legal	1,151	564
b) statutory	2,229	1,054
c) treasury shares	-	-
d) others	-6,584	-16,566
Others	-	-
4. Capital instruments	-	-
5. (Treasury shares)	-	-
6. Valuation reserves	1,204	2,043
Capital securities designated at fair value through other comprehensive income	-	-
Hedges of capital securities designated at fair value through other comprehensive income	-	-
Financial assets (other than capital securities) measured at fair value through other comprehensive income	1,185	2,077
Tangible assets	-	-
Intangible assets	-	-
Hedges of foreign investments	-	-
Cash flow hedges	-	-
Hedging instruments [items not designated]	-	-
Exchange rate differences	-	-
Non-current assets and groups of assets held for sale	-	-
Financial liabilities designated at fair value through profit or loss (changes in own creditworthiness)	-	-
Actuarial gains (losses) on defined benefit pension plans	19	-34
Portion of valuation reserves relating to equity-accounted investees	-	-
Special revaluation laws	-	-
7. Profit (Loss) for the year	10,921	11,744
TOTAL	54,275	44,193

B2. Valuation reserves of financial assets measured at fair value through other comprehensive income: breakdown

(amounts in thousands of Euro)

Assets/Values	31/12/2022		31/12/2021	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	-	-587	-	-1,057
2. Capital securities	-	-	-	-
4. Loans	1,772	-	3,100	-
Total	1,772	-587	3,100	-1,057

The positive reserve on Loans refers to NPL measured at fair value through other comprehensive income.

B3. Valuation reserves of financial assets measured at fair value through other comprehensive income: changes in the year

(amounts in thousands of Euro)

	Debt securities	Capital securities	Loans
1. Opening balance	(1,057)	-	3,100
2. Positive changes	1,653	-	-
2.1 Increases in fair value	20	-	-
2.2 Impairment for credit risk	-	X	-
2.3 Reversal to income statement of negative reserves from disposals	1,633	X	-
2.4 Reclassified to other equity components (capital securities)	-	-	-
2.5 Other changes	-	-	-
3. Negative changes	(1,183)	-	(1,328)
3.1 Reductions in fair value	(814)	-	(1,328)
3.2 Reversals for credit risk	(42)	X	-
3.3 Reversal to income statement of positive reserves from disposals	(92)	-	-
3.4 Reclassified to other equity components (capital securities)	-	-	-
3.5 Other changes	(234)	-	-
4. Closing balance	(587)	-	1,772

Section 2 – CAPITAL AND CAPITAL RATIOS

2.1 CAPITAL

A. Qualitative information

Scope of the regulations

On 1 January 2014 was the entry into force of the new harmonised rules for banks and investment firms as contained in Regulation (EU) No. 575/2013 (CRR) and Directive 2013/36/EU (CRD IV), which transpose in the European Union the standards defined by the Basel Committee on Banking Supervision (so-called Basel III).

The CRR is directly applicable in national laws, while CRD IV has to be transposed into them. The transposition took place with the issuance of Circular No. 285 by the Bank of Italy, published on 17 December 2013.

Capital

Capital consists of:

- Tier 1 capital;
- Tier 2 capital.

Tier 1 capital is equal to the sum of:

- Common Equity Tier 1 (CET 1);
- Additional Tier 1 (AT1).

1. Common Equity Tier 1 (CET 1)

consists of the following positive and negative elements:

(amounts in thousands of Euro)

	31/12/2022
Share capital	44,638
Share premiums	716
Profit reserves	7,717
Positive and negative valuation reserves through OCI	1,204
Other reserves	-
Previous CET 1 instruments subject to transitional arrangements (grandfathering)	-
Prudential filters	-
Deductions	(2,010)
Total Common Equity Tier 1 – CET 1	52,265

Deductions are represented by intangible assets and deferred tax assets.

2. Additional Tier 1 (AT1)

There are no additional Tier 1 capital elements.

3. Tier 2 capital (T2)

There are no Tier 2 capital elements.

The new supervisory rules envisage a transitional regime with the gradual introduction (phase-in) of part of the new capital and capital requirements rules (2014-2017) and grandfathering rules for the partial eligibility, with gradual exclusion by 2021, of past capital instruments that do not meet all CRR requirements to be included in CET 1, AT1 and T2. Capital is determined on the basis of the provisions issued by the Bank of Italy in Circular No. 286 of 17 December 2013 – 14th update of 23 June 2019.

B. Quantitative information

(amounts in thousands of Euro)

	31/12/2022
A. Common Equity Tier 1	52,265
- of which CET 1 instruments subject to transitional arrangements	-
B. CET 1 prudential filters (+/-)	-
C. CET 1 before deductions and transitional regime effects (A +/- B)	52,265
D. Items to be deducted from CET 1	-
E. Transitional regime – Impact on CET 1 (+/-)	649
F. Total Common Equity Tier 1 (CET 1) (C - D +/- E)	52,914
G. Additional Tier 1 (AT1) before deductions and transitional regime effects	-
- of which AT1 instruments subject to transitional arrangements	-
H. Elements to be deducted from AT1	-
I. Transitional regime – Impact on AT1 (+/-)	-
L. Total Additional Tier 1 (AT1) (G - H +/- I)	-
M. Tier 2 capital (Tier 2 – T2) before deductions and transitional regime effects	-
of which T2 instruments subject to transitional arrangements	-
N. Elements to be deducted from T2	-
O. Transitional regime – Impact on T2 (+/-)	-
P. Total Tier 2 capital (Tier 2 – T2) (M-N +/- O)	-
Q. Total Capital (F + L + P)	52,914

2.1 CAPITAL ADEQUACY

A. Qualitative information

The Bank complies with the limits required by the new Basel III regulation on capital ratios.

The regulations introduced by the Bank of Italy in Circular No. 285/2013 provide for the following minimum ratios:

- CET 1 capital ratio of 4.50%;
- Tier 1 capital ratio of 6%;
- Total Capital ratio of 8%.

In addition to the above-mentioned constraints, further constraints were introduced consisting of:

- Capital Conservation Buffer (CCB), which provides for an additional 2.5% requirement of Common Equity Tier 1 aimed at preserving the minimum level of regulatory capital in adverse market conditions;
- Countercyclical capital buffer to protect the banking sector during periods of excessive credit growth; it is to be constituted during periods of economic growth with primary-quality capital to meet possible losses in the downturns of the cycle on the basis of a specific coefficient established on a national basis;
- Additional reserves always to be constituted with primary capital for global and other systemically relevant entities. The buffer for entities with global relevance can vary from a minimum of 1% to a maximum of 3.5%, for the others there is a non-binding maximum threshold of 2%;
- Capital reserve against systemic risk, which is set by each individual Member State and must be at least 1%.

The sum of the regulatory requirements and the additional reserves gives the minimum level of required capital, which for 2022 is as follows:

- CET 1 capital ratio of 8.35%;
- Tier 1 capital ratio of 10.30%;
- Total Capital ratio of 12.95%.

Banks that do not hold capital reserves to the required extent are subject to the limits on distributions, and must also have a capital conservation plan in place that sets out the measures the Bank intends to take to restore the level of capital required to maintain capital reserves to the required extent within a reasonable period of time.

Moreover, the Bank of Italy, in order to ensure compliance with the binding measures even in the event of a deterioration of the economic and financial context, has identified a Target Component (Pillar 2 Guidance) against a higher risk exposure in stress conditions of 0.50%. Therefore, the requirements, including the Pillar 2 Guidance, for the year 2022 are as follows:

- CET 1 capital ratio of 8.85%;
- Tier 1 capital ratio of 10.80%;
- Total Capital ratio of 13.45%.

The Bank's investment policies are geared towards maintaining a constant balance in the ratio of

“economic and financial investments to asset size” with a focus on minimising the cost of capital for utilisation.

A thorough self-assessment of capital adequacy is carried out as part of the process known as ICAAP (Internal Capital Adequacy Assessment Process).

B. Quantitative information

(amounts in thousands of Euro)

Categories/Values	Non-weighted amounts		Weighted amounts/Requirements	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
A. Risk assets				
A.1 Credit and counterparty risk	1,210,230	1,128,866	317,399	307,492
1. Standardised methodology	1,210,230	1,128,866	317,399	307,492
2. Methodology based on internal ratings	-	-	-	-
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisation	-	-	-	-
B. Regulatory capital requirements				
B.1 Credit and counterparty risk	X	X	25,392	24,599
B.2 Credit assessment adjustment risks	X	X	-	-
B.3 Regulatory risk	X	X	-	-
B.4 Market risks	X	X	-	-
1. Standard methodology	X	X	-	-
2. Internal models	-	-	-	-
3. Concentration risk	-	-	-	-
B.5 Operational risk	X	X	4,132	2,586
1. Basic method			4,132	2,586
2. Standardised method	X	X	X	X
3. Advanced method	X	X	X	X
B.6 other calculation elements				
B.7 Total prudential requirements	X	X	29,524	27,185
C. Risk assets and capital ratios	X	X		
C.1 Risk-weighted assets	X	X	369,054	339,822
C.2 Common Equity Tier 1/Risk-weighted assets (CET 1 capital ratio)	X	X	14.34%	13.10%
C.3 Tier 1 capital/Risk-weighted assets (TIER 1 capital ratio)	X	X	14.34%	13.10%
C.4 Total Capital/Risk-weighted assets (Total Capital ratio)	X	X	14.34%	13.10%

With reference to the introduction of the new accounting standard IFRS 9, Regulation (EU) 2017/2395, amending Regulation (EU) 575/2013 (CRR), allows banks, whose opening financial statements at the date of first application of IFRS 9 shows a reduction in CET 1 as a result of increased provisions for expected credit losses (net of tax effect), to include for a transitional period of 5 years a portion of these increased provisions in CET 1.

Cherry Bank Spa decided to make use of these transitional arrangements for the entire period. The inclusion, therefore, of the IFRS9 first-time application effect in CET 1 will occur in a gradual manner by applying the following exclusion factors:

- 0.95% for the year 2018
- 0.85% for the year 2019
- 0.70% for the year 2020
- 0.50% for the year 2021
- 0.25% for the year 2022

In compliance with the aforementioned transitional arrangements, the Bank is, however, required to publish the amounts of Capital and related capital ratios considering the full effect of the first-time application of IFRS 9.

(amounts in thousands of Euro)

CAPITAL AND CAPITAL RATIOS WITHOUT IFRS 9 TRANSITIONAL ARRANGEMENTS	31/12/2022	31/12/2021
Common Equity Tier 1 (CET 1)	52,265	44,516
Additional Tier 1 (AT1)	-	-
Tier 2 capital (Tier 2 – T2)	-	-
Total Capital	52,265	44,516
Total risk-weighted assets	368,372	337,704
Common Equity Tier 1/Risk-weighted assets (CET 1 capital ratio)	14.19%	12.80%
Tier 1 capital/Risk-weighted assets (T 1 capital ratio)	14.19%	12.80%
Capital/Risk-weighted assets (Total Capital ratio)	14.19%	12.80%

PART G – BUSINESS COMBINATIONS INVOLVING COMPANIES OR BUSINESS UNITS

Section 1 – Transactions carried out during the financial year

There were no business combinations during the year.

Section 2 – Transactions carried out after the end of the financial year

There were no business combinations after the year-end and up to the date of preparation of these financial statements.

Section 3 – Retrospective adjustments

No retrospective adjustments were made during the year.

PART H – TRANSACTIONS WITH RELATED PARTIES

1. Information on Directors' and Executives' remuneration

The remuneration of Directors, Statutory Auditors and other Executives with strategic responsibilities:

	(amounts in thousands of Euro)	
	31/12/2022	31/12/2021
Directors	875	518
Board of Statutory Auditors	276	206

Directors receive remuneration exclusively in a fixed amount plus attendance fees approved by the Shareholders' Meeting.

The amount indicated is the company cost including contribution charges.

The remuneration of the Board of Statutory Auditors is determined by the Shareholders' Meeting as follows:

- Euro 60 thousand to the Chair;
- Euro 50 thousand to Standing Auditors.

To the above-mentioned fixed amounts were added attendance fees and the reimbursement of out-of-pocket expenses incurred in the performance of the assignment plus VAT and social security charges.

The Board of Directors, following the renewal of corporate offices, with a resolution of 20.12.2021, set up the new Supervisory Board, pursuant to Legislative Decree No. 231/2001.

A Standing member of the Board of Auditors, the Head of Internal Audit and the Head of Compliance were appointed as members of this Body. A remuneration of Euro 10 thousand was established for the sole Standing member of the Board of Statutory Auditors.

2. Information on transactions with related parties

With reference to Provision No. 262 of 22 December 2005 issued by the Bank of Italy on instructions for the preparation of the statutory and consolidated financial statements of banks in accordance with IAS/IFRS and in compliance with the provisions of IAS 34 on interim financial statements, the tables below show the data on the Bank's Related Parties as defined by IAS 24; in particular, it should be noted that there are no guarantees given in favour of related parties.

TABLE RECEIVABLES OUTSTANDING AT 31/12/2022

(amounts in thousands of Euro)

	Deposit	Unsecured
Directors and Executives with strategic responsibilities	216	-
Close family member of one of the above persons	-	-
Parent company, subsidiary, associated company or company subject to significant influence by the above parties	286	-
Other entities with significant influence	-	-

Receivables consist of Euro 397 thousand in loans and Euro 105 thousand in unused loans. Accrued income amounted to a total of Euro 1 thousand.

TABLE FUNDING AT 31/12/2022

(amounts in thousands of Euro)

Directors and Executives with strategic responsibilities	724
Close family member of one of the above persons	190
Parent company, subsidiary, associated company or company subject to significant influence by the above parties	604
Other entities with significant influence	-

Funding consisted of Euro 1,517 thousand in current account deposits. Accrued liabilities amount to a total of Euro 5 thousand.

All transactions with related parties were conducted on terms equivalent to those prevailing in arm's length transactions.

OTHER TRANSACTIONS

The "other transactions – supply of goods and services" entered into with related parties concern the subsidiary Cherry srl, which provides services related to third-party NPL portfolios at terms equivalent to those prevailing in arm's length transactions.

2. Information on the Independent Auditors' fees

(amounts in thousands of Euro)

	31/12/2022	31/12/2021
Statutory audit activities	86	151
Other legally required services	-	112
Other attestation services	-	163

PART I – EQUITY-SETTLED SHARE-BASED PAYMENT AGREEMENTS

Cherry Bank has no such agreements in place.

PART L – SECTOR REPORTING

As Cherry Bank is not a “listed” intermediary, it has availed itself of the option granted by the Bank of Italy in Circular No. 262 of 22 December 2005 – 8th update of 29.10.2021 not to draw up this section on sector reporting.

PART M – LEASE DISCLOSURE

Section 1 – LESSEE

Qualitative information

The Bank as lessee has entered into lease contracts for properties and cars.

In terms of right-of-use value, real estate leases represent the most significant area and concern properties for office and branch use. Contracts usually have a duration of more than 12 months and provide for renewal and termination options exercisable by the lessee and the lessor in accordance with the law and/or specific contractual provisions. These contracts do not provide for purchase options.

Car lease contracts are long-term rentals for company cars made available to employees.

For further information on the scope of application, accounting rules and processes, see “Part A – Accounting Policies – A.1 General – Section 4 – Other aspects”.

For the criteria for recognition, classification, valuation and derecognition, please refer to “Part A – Accounting Policies – A.2 Part related to the main items of the financial statement”.

Quantitative information

With regard to the quantitative information on the impact on the Bank’s Balance Sheet and Income Statement, as required by the regulations, please refer to the specific sections of the Notes to the Financial Statements, and in particular:

- for rights of use acquired through leases in “Part B – Information on the Balance Sheet – Assets – Section 8”;
- for lease payables to as commented in “Part B – Information on the Balance Sheet – Liabilities – Section 1”;
- for the economic impacts in “Part C – Information on the Income Statement” under items “Interest expense” and “Impairment on tangible assets”, respectively.

Section 2 – LESSOR

Cherry Bank did not enter into any contracts as lessor.

Padua, 13 March 2023

For the Board of Directors

The Chief Executive Officer
Giovanni Bossi





Annexes

List of accounting standards endorsed by the European Commission

LIST OF ACCOUNTING STANDARDS ENDORSED BY THE EUROPEAN COMMISSION

Standard	Description	Endorsement Regulation
IFRS 1	First adoption of international accounting standards	1126/2008-mod. 1274/2008-69/2009-70/2009-494/2009-495/2009-1136/09-550/2010-574/2010-662/2010-149/2011-1255/2012-183/2013-301/2013-2343/15-2441/2015-182/2018-519/18
IFRS 2	Share-based payments	1126/2008-mod.1261/2008-495/2009- 244/2010-1254/2012-1255/2012-28/2015-289/2018-2075/2019
IFRS 3	Business combinations	1126/2008-mod. 495/2009-149/2011-2015/28/2014-1361/2014-28/2015-1905/16-2067/16-1986/17- 412/19-2075/19-551/2020
IFRS 4	Insurance Contracts	1126/2008-mod. 1274/2008-494/2009-1165/2009-1255/2012-1988/2017-25/2021
IFRS 5	Non-current assets held for sale and discontinued operations	1126/2008-mod. 1274/2008-70/2009-494/2009-1254/2012-1255/2012-2343/2015-2067/16
IFRS 6	Exploration and evaluation of mineral resources	1126/2008-2075/2019
IFRS 7	Financial instruments: supplementary information	1126/2008- mod. 1274/2008-70/2009/824/2009-1165/2009-574/2010-149/2011-1205/2011-1256/2012-2343/2015-2406/15-2067/16-1986/17-25/2021
IFRS 8	Operating sectors	1126/2008- mod. 1274/2008-632/2010-1256/2012-28/2015
IFRS 9	Financial instruments	2067/2016- mod 498/2018-25/2021
IFRS10	Consolidated Financial Statements	1254/2012-1174/2013- mod 1703/2016
IFRS 11	Joint ventures	1254/2012-313/2013-2173/2015-412/2019
IFRS 12	Disclosure of investments in other entities	1254/2012 – mod. 1255/2012-1174/2013-1703/2016-182/2018-1392/2022
IFRS 13	Fair value measurement	1255/2012-1361/2014-2067/16-1986/17
IFRS 15	Revenues from contracts with customers	1905/2016 – mod 1987/2017
IFRS 16	Leases	1986/2017-1434/2020-25/2021-1421/2021
IFRS 17	Insurance contracts	2036/2021-1491/2022

Standard	Description	Endorsement Regulation
IAS 1	Presentation of the Financial Statements	1274/2008 – mod. 53/2009 -70/2009-494/2009-149/2011-475/2012-1254/2012-1255/2012-2406/2015-1905/16-2067/16-1986/17-2075/2019-2104/2019-357/2022
IAS 2	Inventories	1126/2008-70/2009-1255/2012-1905/16-2067/16-1986/17
IAS 7	Statement of Cash Flows	1126/2008- mod. 1274/2008-70/2009-494/2009-1254/2012-1174/13-1986/17-1990/17
IAS 8	Accounting Policies, changes in estimates and errors	1126/2008 – mod. 1274/2008-70/2009-1255/2012-2067/16-2104/2019-357/2022
IAS 10	Events after the reporting date	1126/2008 – mod. 1274/2008-70/2009-1255/2012-2067/16-2104/2019
IAS 12	Income taxes	1126/2008 – mod. 1274/2008-495/2009-1255/2012-1174/13-1905/16-2067/16-1986/17-1989/17-412/2019
IAS 16	Property, plant and equipment	1126/2008 – mod. 1274/2008-70/2009-495/2009-1255/2012-28/2015-2231/2015-2231/15-1905/16-1986/17
IAS 17	Leases	1126/2008-243/10-1255/12-2113/15
IAS 19	Employee benefits	1126/2008 – mod.1274/2008-70/2009-475/2012-1255/1-29/15-2343/15-402/2019
IAS 20	Accounting for public contributions and information on public assistance	1126/2008 – mod. 70/2009-475/2012-1255/2012-2067/16
IAS 21	Effects of changes in foreign currency exchange rates	1126/2008 – mod. 1274/2008-69/2009-494/2009-149/2011-475/2012-1254/2012-1255/2012-2067/16-1986/17
IAS 23	Financial expenses	1260/2008- mod. 70/2009-2113/15-2067/16-1986/17-412/2019
IAS 24	Disclosures on transactions with related parties	1126/2008 – mod. 1274/2008-632/2010-475/2012-1254/2012-28/2015
IAS 26	Pension funds	1126/2008
IAS 27	Consolidated and Separate Financial Statements	1126/2008 – mod. 1274/2008-69/2009-494/2009-1254/2012-1174/2013-2241/2015
IAS 28	Investments in associates	1126/2008 – mod. 1274/200/-70/2009-494/2009-495/2009-149/2011-1254/2012-2441/2015-1703/2016-182/2018-237/2019
IAS 29	Financial reporting in hyperinflationary economies	1126/2008 – mod. 1274/200/-70/2009
IAS 32	Financial Instruments: presentation	1126/2008- mod. 1274/2008-53/2009-70/2009-494/2009-495/2009-1293/2009-149/2011 – 1256/2012-301/2013-1174/13-1905/16-2067/16-1986/17
IAS 33	Earnings per share	1126/2008 – mod.1274/2008-494/2009-495/2009-1293/2009-475/2012-1254/2012-1255/2012-1256/2012-2067/16
IAS 34	Interim financial statements	1126/2008- mod.1274/2008-70/2009-495/2009-149/2011-475/2012-1255/2012--301/2013-2343/2015-2406/15-1905/16-2075/2019-2104/2019
IAS 36	Impairment loss of assets	1126/2008 – mod. 1274/2008-69/2009-70/2009-495/2009-1254/2012-1255/2012-1374/2013-2113/15-1905/16-2067/16
IAS 37	Provisions, contingent liabilities and assets	1126/2008 – mod. 1274/2008-495/2009-28/2015-1905/16-2067/16-1986/17-2075/2019-2104/2019
IAS 38	Intangible assets	1126/2008- mod. 1274/2008-70/2009-495/2009-1254/2012-1255/2012-28/2015-2231/15-1905/16-1986/17-2075/2019
IAS 39	Financial Instruments: recognition and measurement	1126/2008- mod. 1274/2008-53/2009-494/2009-495/2009-824/2009-839/2009-1171/2009-149/2011-1254/2012-1255/2012-1375/2013-28/15-1905/16-2067/16-1986/17
IAS 40	Property investments	1126/2008- mod. 1274/2008-70/2009-1361/2014-2113/15-1905/16-1986/17-400/18
IAS 41	Agriculture	1126/2008- mod. 1274/2008-70/2009-1255/2012-2113/15-1986/17
IAS 32	Financial Instruments: presentation	1126/2008- mod. 1274/2008-53/2009-70/2009-494/2009-495/2009-1293/2009-149/2011 – 1256/2012-301/2013-1174/13-1905/16-2067/16-1986/17

INTERPRETATIONS		ENDORSEMENT REGULATION
IFRIC 1	Changes in liabilities recognised for decommissioning, restoration and similar liabilities	1126/08-1274/08-1986/17
IFRIC 2	Shareholder shares in cooperative entities and similar instruments	1126/08-53/09-301/2013-2067/16
IFRIC 4	Determining whether an arrangement contains a lease	1126/08-70/09-1255/12
IFRIC 5	Rights from interests in funds for decommissioning, restoration and environmental remediation	1126/08-1254/12-2067/16
IFRIC 6	Liabilities from participation in a specific market – Waste electrical and electronic equipment	1126/08
IFRIC 7	Application of the restatement method under IAS 29 – Financial reporting in hyperinflationary economies	1126/08 – mod. 1274/08-53/09
IFRIC 8	Scope of IFRS 2	1126/08
IFRIC 9	Reassessment of embedded derivatives	1126/08 mod. 495/09-1171/09-
IFRIC 10	Interim financial statements and impairment loss	1126/08 – mod. 1274/08-2067/16
IFRIC 11	Transactions with treasury and group shares	1126/08
IFRIC 12	Service concession arrangements	254/09-1905/16-2067/16-1986/17
IFRIC 13	Customer loyalty programmes	1262/08- mod. 149/11
IFRIC 14	IAS 19 – Limit on a defined benefit plan asset, minimum funding requirements and iteration.	1263/08 – mod. 1274/08-633/10-175/12
IFRIC 15	Agreements for the construction of real estate	636/09
IFRIC 16	Hedges for net investments in a foreign operation	460/09-243/10-1254/12-2067/16
IFRIC 17	Distribution of non-cash assets to shareholders	1142/09-1254/12-1255/12
IFRIC 18	Disposal of assets by customers	1164/09
IFRIC 19	Extinguishing financial liabilities with equity instruments	662/10-1255/12-2067/16-2075/2019
IFRIC 20	Overburden costs in the production phase of an open-pit mine	1255/12-2075/2019
IFRIC 21	Duties	634/14
IFRIC 22	Transactions in foreign currency and advances	519/18-2075/2019
IFRIC 23	Uncertainty of income tax treatment	1595/18
SIC 7	Introduction of the Euro	1126/08 – mod. 1274/08-494/09
SIC 10	Public assistance – No specific relation to operational activities	1126/08 – mod. 1274/08
SIC 12	Consolidation – Special Purpose Entities (Special Purpose Vehicles)	1126/08
SIC 13	Jointly controlled entities – Contribution in kind by venturers	1126/08 – mod. 1274/08
SIC 15	Operating leases – incentives	1126/08 – mod. 1274/08
SIC 21	Income taxes – Recovery of revalued non-depreciable assets	1126/08
SIC 25	Income taxes – Changes in the tax status of a company or its shareholders	1126/08 – mod. 1274/08
SIC 27	Evaluating the substance of transactions in the legal form of lease	1126/08-1905/16-2067/16
SIC 29	Supplementary information – Service Concession Arrangements	1126/08 – mod. 1274/08-70/09-1986/17
SIC 32	Intangible assets – Website related costs	1126/08 – mod. 1274/08-1905/16-1986/17 2075/2019

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