Base Prospectus

CASSA CENTRALE RAIFFEISEN DELL'ALTO ADIGE S.p.A.

(*incorporated as a company limited by shares under the laws of the Republic of Italy*)

€750,000,000 Euro Medium Term Note Programme

Under the €750,000,000 Euro Medium Term Note Programme (the "**Programme**") described in this Base Prospectus, Cassa Centrale Raiffeisen dell'Alto Adige S.p.A. ("**Cassa Centrale Raiffeisen**" or the "**Issuer**") may from time to time issue certain non-equity securities ("**Notes**") in dematerialised form denominated in any currency, as described in further detail herein. The Notes issued by the Issuer will be governed by Italian law.

This Base Prospectus has been approved as a base prospectus by the *Commission de Surveillance du Secteur Financier* (the "**CSSF**"), as competent authority under Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). The CSSF only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Approval by the CSSF should not be considered as an endorsement of the Issuer or of the quality of the Notes. Investors should make their own assessment as to the suitability of investing in the Notes.

The CSSF assumes no responsibility for the economic and financial soundness of the transactions contemplated by this Base Prospectus or the quality or solvency of the Issuer in accordance with Article 6(4) of the Luxembourg Law dated 16 July 2019. This Base Prospectus will be published in electronic form, together with all documents incorporated by reference on the website of the Luxembourg Stock Exchange (www.luxse.com). Application has been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange.

Applications have been made for Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus to be listed on the official list and admitted to trading on the regulated market of the Luxembourg Stock Exchange, which is a regulated market for the purposes of the Markets in Financial Instruments Directive 2014/65/EU. The Programme also allows for Notes to be issued on the basis that they will: (i) be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed by the Issuer or (ii) not be admitted to listing, trading or quotation by any competent authority, stock exchange and/or quotation system.

EU BENCHMARKS REGULATION - Interest amounts payable under the Notes may be calculated by reference, *inter alia*, to EURIBOR or CMS, or such other reference rate as specified in the relevant Final Terms. As at the date of this Base Prospectus, the European Money Markets Institute ("**EMMI**", as administrator of EURIBOR) is included in the European Securities and Markets Authority's ("**ESMA's**") register of administrators under Article 36 of Regulation (EU) No. 2016/1011 (the "**EU Benchmarks Regulation**"). As at the date of this Base Prospectus, ICE Benchmark Administration (as administrator of CMS) does not appear on the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 of the Benchmarks Regulation. As far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that ICE Benchmark Administration is not currently required to obtain authorisation or registration (or, if located outside the European Union, recognition, endorsement or equivalence).

This Base Prospectus (as supplemented as at the relevant time, if applicable) is valid for 12 months from its date of approval (i.e. until 10 August 2024) in relation to Notes which are to be admitted to trading on a regulated market in the European Economic Area (the EEA). For these purposes, reference(s) to the EEA. For the avoidance of doubt, the Issuer shall have no obligation to supplement this Base Prospectus in the event of significant new factors, material mistakes or material inaccuracies after the end of its 12-month validity period.

An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks, see "*Risk Factors*" on pages 18 to 48.

The Notes will be held in dematerialised form on behalf of the beneficial owners, until redemption or cancellation thereof, by Monte Titoli S.p.A. with registered office and principal place of business at Piazza degli Affari 6, 20123 Milan, Italy ("**Monte Titoli**"), for the account of the relevant Monte Titoli Account Holders. The expression "Monte Titoli Account Holders" means any authorised financial intermediary institution entitled to hold accounts on behalf of their customers with Monte Titoli and includes any depository banks appointed by Euroclear Bank SA/NV as operator of the Euroclear System ("**Euroclear**") and Clearstream

Banking, société anonyme, Luxembourg ("**Clearstream**, **Luxembourg**"). The Notes have been accepted for clearance by Monte Titoli. The Notes will at all times be held in book entry form and title to the Notes will be evidenced by book entries pursuant to the relevant provisions of Italian Legislative Decree dated 24 February 1998, No. 58, as subsequently amended and supplemented ("**Financial Services Act**") and in accordance with *Commissione Nazionale per le società e la Borsa* ("**CONSOB**") and Bank of Italy Joined Regulation dated 13 August 2018, as subsequently amended and supplemented ("**CONSOB and Bank of Italy Joined Regulation**"). The Noteholders may not require physical delivery of the Notes. However, the Noteholders may ask the relevant intermediaries for certification pursuant to Article 83-*quinquies* and 83-*sexies* of the Financial Services Act.

The Notes may be issued on a continuing basis to one or more of the Dealers specified on page 581 and any additional Dealer appointed under the Programme from time to time, which appointment may be for a specific issue or on an ongoing basis.

Arranger

IMI – Intesa Sanpaolo

Dealers

IMI – Intesa Sanpaolo

Commerzbank

DZ BANK AG

Raiffeisen Bank International AG

10 August 2023

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IMPORTANT NOTICES

This Base Prospectus comprises a base prospectus in respect of all Notes for the purposes of Article 8 of the Prospectus Regulation. When used in this Base Prospectus, Prospectus Regulation means Regulation (EU) 2017/1129.

The Issuer accepts responsibility for the information contained in this Base Prospectus and declares that, to the best of its knowledge, the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Each Tranche (as defined herein) of Notes will be issued on the terms set out herein under "*Terms and Conditions of the Notes*" (the "**Conditions**"), together with a document specific to such Tranche called final terms (the "**Final Terms**") or in a separate prospectus specific to such tranche (the "**Drawdown Prospectus**").

This Base Prospectus must be read and construed together with any supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Notes which is the subject of Final Terms, must be read and construed together with the relevant Final Terms. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise. The Issuer accepts responsibility for the information contained in the Final Terms/Drawdown Prospectus, as the case may be, for each Tranche of Notes issued under the Programme.

Other than in relation to the documents which are deemed to be incorporated by reference, the information on the websites to which this Base Prospectus refers does not form part of this Base Prospectus and has not been scrutinised or approved by the CSSF.

The Issuer has confirmed to the Dealers named under "*Certain Definitions*" below that this Base Prospectus (including, for this purpose, each relevant Drawdown Prospectus and each relevant Final Terms) contains all information which is (in the context of the Programme and the issue, offering and sale of the Notes) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed herein are honestly held or made and are not misleading in any material respect; that this Base Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the Programme, the issue, offering and sale of the Notes) not misleading in any material respect; and that all proper enquiries have been made to verify the foregoing.

Potential investors should note that, under the Central Securities Depositories Regulation of the EU, a trade in the secondary markets within the EU generally is required to settle in two business days unless the parties to such trade expressly agree otherwise. Accordingly, investors who wish to trade interests in Notes in the EU on the trade date relating to such Notes or the next business day will likely be required, by virtue of the fact that the Notes initially will likely settle on a settlement cycle longer than two business days, to specify an alternate settlement cycle at the time of any such trade to prevent failed settlement.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer or any Dealer.

Neither the Dealers nor any of their respective affiliates have authorised the whole or any part of this Base Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of information contained in this Base Prospectus. The Dealers accept no liability in relation to this Base Prospectus or any document forming part of this Base Prospectus or the distribution of any such document or with regard to any other information supplied by or on behalf of the Issuer.

Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented by a supplement or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer since any such date or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing that information.

Neither this Base Prospectus nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Dealers or any of them that any recipient of this Base Prospectus or any Final Terms should subscribe for or purchase any Notes. Each recipient of this Base Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise), prospects and credit-worthiness of the Issuer.

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on the offering, sale and delivery of Notes and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Notes, see "*Subscription and Sale*" below. In particular, Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) or with any securities regulatory authority of any state or other jurisdiction of the United States, and are subject to U.S. tax law requirements. Notes may not be offered, sold or delivered within the United States or to U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act.

The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed €750,000,000 and, for this purpose, any Notes denominated in another currency shall be translated into euro at the date of the agreement to issue such Notes, calculated in accordance with the provisions of the Dealer Agreement (as defined under "*Subscription and Sale*"). The maximum aggregate principal amount of Notes which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement.

ESG ratings may vary amongst ESG ratings agencies as the methodologies used to determine ESG ratings may differ. The Issuer's ESG ratings are not necessarily indicative of its current or future operating or financial performance, or any future ability to service the Notes and are only current as of the dates on which they were initially issued. Prospective investors must determine for themselves the relevance of any such ESG ratings information contained in this Base Prospectus or elsewhere in making an investment decision. Furthermore, ESG ratings shall not be deemed to be a recommendation by the Dealers or any other person to buy, sell or hold the Notes. Currently, the providers of such ESG ratings are not subject to any regulatory or other similar oversight in respect of their determination and award of ESG ratings. For more information regarding the evaluation methodologies used to determine

ESG ratings, please refer to the relevant ratings agency's website (which website does not form a part of, nor is incorporated by reference in, this Base Prospectus).

Notes issued as Green Bonds, Social Bonds, Sustainability Bonds or Climate Bonds

None of the Dealers accepts any responsibility for any social, environmental and sustainability assessment of any Notes issued as Green Bonds, Social Bonds, Sustainability Bonds or Climate Bonds or makes any representation or warranty or assurance whether such Notes will meet any investor expectations or requirements regarding such "green", "sustainable", "social" or similar labels. None of the Dealers is responsible for the use of proceeds for any Notes issued as Green Bonds, Social Bonds, Sustainability Bonds or Climate Bonds, nor the impact or monitoring of such use of proceeds. No representation or assurance is given by the Dealers as to the suitability or reliability of any opinion or certification of any third party made available in connection with an issue of Notes issued as Green Bonds, Social Bonds, Sustainability Bonds or Climate Bonds, nor is any such opinion or certification a recommendation by any Dealer to buy, sell or hold any such Notes. In the event any such Notes are, or are intended to be, listed, or admitted to trading on a dedicated "green", "sustainable", "social" or other equivalently-labelled segment of a stock exchange or securities market, no representation or assurance is given by the Dealers that such listing or admission will be obtained or maintained for the lifetime of the Notes.

IMPORTANT – EEA RETAIL INVESTORS – If the Final Terms (or the Drawdown Prospectus, as the case may be) in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended or superseded "**EU MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

IMPORTANT - UK RETAIL INVESTORS – If the Final Terms (or the Drawdown Prospectus, as the case may be) in respect of any Notes includes a legend entitled "Prohibition of Sales to UK Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018; or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act, 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

EU MiFID II product governance / target market – The Final Terms in respect of any Notes may include a legend entitled "EU MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the target market assessment; however, a distributor subject to EU MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the EU MiFID Product Governance rules under Commission Delegated Directive (EU) 2017/593 (the "**EU MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the EU MiFID Product Governance Rules.

The Final Terms or Drawdown Prospectus, as the case may be, in respect of any Notes will include a legend entitled "EU MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to EU MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

UK MiFIR product governance / target market - The Final Terms in respect of any Notes will include a legend entitled "UK MiFIR Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the target market assessment; however, a distributor subject to the UK MiFIR product governance rules set out in the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR product governance rules set out in UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MIFIR Product Governance Rules.

The Programme also allows for Notes to be unlisted or to be admitted to listing, trading and/or quotation by such other or further listing authorities, stock exchanges and/or quotation systems as may be agreed with the relevant Issuer. Notes issued pursuant to the Programme may also be rated or unrated. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Where an issue of Notes is rated, its rating will not necessarily be the same as the rating applicable to the Programme or the rating(s) assigned to Notes already issued. Where an issue of Notes is rated, its rating will be specified in the Final Terms. Whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be (1) issued or endorsed by a credit rating agency established in the EEA and registered under Regulation (EC) No 1060/2009 (as amended) (the "**EU CRA Regulation**") or by a credit rating agency which is certified under the EU CRA Regulation and/or (2) issued or endorsed by a credit rating agency established in the UK and registered under Regulation (EU) No 1060/2009 on credit rating agencies, as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "**UK CRA Regulation**") or by a credit rating agency which is certified under the UK CRA

Regulation will be disclosed in the Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the EU CRA Regulation or (1) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the EU CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA which is certified under the EU CRA Regulation. In general, UK regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the UK and registered under the UK CRA Regulation or (1) the rating is provided by a credit rating agency not established in the UK but is endorsed by a credit rating agency established in the UK and registered under the UK CRA Regulation or (2) the rating is provided by a credit rating agency not established in the UK which is certified under the UK CRA Regulation. The European Securities and Markets Authority (the "**ESMA**") is obliged to maintain on its website, https://www.esma.europa.eu/credit-rating-agencies/cra-authorisation, a list of credit rating agencies registered and certified in accordance with the EU CRA Regulation.

Suitability of the Notes as an investment

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

(i) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any supplement thereto;

(ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

(iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes where the currency for principal or interest payments is different from its own currency;

(iv) understands thoroughly the terms of the Notes and is familiar with the behaviour of financial markets; and

(v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

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Certain figures included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

CERTAIN DEFINITIONS

In this Base Prospectus, unless otherwise specified or where the context requires otherwise:

(i) references to "**billions**" are to thousands of millions;

(ii) "**Clearstream, Luxembourg**" means Clearstream Banking, société anonyme, Luxembourg;

(iii) references to the "**Conditions**" are to the terms and conditions relating to the Notes, set out in this Base Prospectus in the section "*Terms and Conditions of the Notes*" and any reference to a numbered "**Condition**" is to the correspondingly numbered provision of the Conditions of the Notes;

(iv) the "**EU CRA Regulation**" means Regulation (EU) No. 1060/2009 on credit rating agencies, as amended;

(v) the "**UK CRA Regulation**" means Regulation (EU) No 1060/2009 on credit rating agencies, as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018;

(vi) the "**Dealers**" means Intesa Sanpaolo S.p.A., Commerzbank Aktiengesellschaft, DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main and Raiffeisen Bank International AG, together with any additional Dealer appointed by the Issuer under the Programme from time to time, either for a specific issue or on an ongoing basis;

(vii) references to "**€**", "**EUR**" or "**Euro**" are to the single currency introduced at the start of the third stage of European Economic and Monetary Union and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro, as amended;

(viii) "**Euroclear**" means Euroclear Bank SA/NV;

(ix) "**Monte Titoli**" means Monte Titoli S.p.A.;

(x) "**IFRS**" means International Financial Reporting Standards, as adopted by the European Union and as implemented under the Bank of Italy's instructions contained in Circular No. 262 of 22 December 2005 as subsequently amended from time to time;

(xi) The "**Issuer**" means Cassa Centrale Raiffeisen dell'Alto Adige S.p.A.;

(xii) references to a "**Member State**" are to a Member State of the European Economic Area;

(xiii) references to a "**relevant Dealer**" shall, in the case of an issue of Notes being (or intended to be) purchased by one Dealer, be to such Dealer and, in the case of an issue of Notes being (or intended to be) purchased by more than one Dealer, be to the lead manager of such issue; and

(xiv) the "**Securities Act**" means the United States Securities Act of 1933 (as amended).

STABILISATION

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in the applicable Final Terms may over allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

FORWARD-LOOKING STATEMENTS

A forward-looking statement is a statement which does not relate to historical facts and events but which is based on analyses or forecasts of future results and estimates of amounts not yet determinable or foreseeable. Forward-looking statements are identified by the use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "predict", "project", "will" and similar terms and phrases. This applies, in particular, to statements containing information on future earning capacity, plans and expectations regarding a company's business and management, its growth and profitability, and general economic and regulatory conditions and other factors that affect it.

Any forward-looking statements in this Base Prospectus are based on current estimates and assumptions that the Issuer makes to the best of its present knowledge. These forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results, including the Issuer's financial condition and results of operations, to differ materially from and be worse than results that have expressly or implicitly been assumed or described in these forward-looking statements. The Issuer's business is also subject to a number of risks and uncertainties that could cause any forward-looking statement, estimate or prediction in this Base Prospectus to become inaccurate. Factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed in "*Risks related to the Issuer*".

In the light of these risks, uncertainties and assumptions, any future events described in this Base Prospectus may not occur. In addition, the Issuer assumes no obligation, except as required by law, to update any forward-looking statement, whether as a result of new information, future events or otherwise, or to conform these forward-looking statements to actual events or developments.

STATISTICS ON ECONOMIC PERFORMANCE OF THE REGION OF TRENTINO ALTO-ADIGE AND THAT OF ITALY

This Base Prospectus contains information and statistics regarding the economic performance of the region of Trentino Alto-Adige and that of Italy as a whole, which are derived from, or are based upon, the Issuer's analysis of data obtained from the Bank of Italy, ISTAT (*Istituto Nazionale di Statistica* or the Italian National Statistics Office) and ASTAT (*Istituto Provinciale di Statistica* or the Provincial Statistics Office of the Autonomous Province of Bolzano). Such data have been reproduced accurately in this Base Prospectus and, as far as the Issuer is aware and is able to ascertain from information published by those bodies, no facts have been omitted which would render such reproduced information inaccurate or misleading.

ALTERNATIVE PERFORMANCE MEASURES

This Base Prospectus contains certain financial measures that the Issuer considers as constituting alternative performance measures ("**APMs**") as defined by the European Securities and Markets Authority (ESMA) Guidelines of 5 October 2015 (ESMA/2015/1415).

In line with the guidance contained in the update of the document "ESMA 32_51_370 – Questions and answers ESMA guidelines on Alternative Performance Measures (APMs)" published on 17 April 2020, no changes have been made to the APMs to take into account the effects of the Covid-19 crisis.

Investors should view the APMs as complementary to, and not a substitute for, the figures determined according to IFRS.

APM	Definition/reconciliation	Relevant Use
Total gross exposure to customers	The sum of gross non-performing loans and gross performing loans (taken from schedules to annual report)	To show the Issuer's total gross exposure to customers composed by the gross non-performing and performing loans.
Gross bad loans / total gross exposure to customers	Ratio between (i) gross bad loans and (ii) gross exposure to customers (taken from schedules to annual report)	This measure shows how the Issuer's gross bad loans relate to the total gross exposure to customers.
Bad loans loss provision / gross bad loans	Ratio between (i) bad loans loss provision and (ii) gross bad loans (taken from schedules to annual report)	This measure shows how the Issuer's bad loans loss provision relates to the gross bad loans.
Net bad loans / total net loans	Ratio between (i) net bad loans and (ii) total net loans (taken from schedules to annual report)	This measure shows how the Issuer's net bad loans relate to the total net exposure to customers.
Gross unlikely to pay loans / total gross exposure to customers	Ratio between (i) unlikely to pay loans and (ii) total gross exposure to customers (taken from schedules to annual report)	This measure shows how the Issuer's gross unlikely to pay loans relate to the total gross exposure to customers.
Unlikely to pay loans loss provision / gross unlikely to pay loans	Ratio between (i) unlikely to pay loans loss provision and (ii) gross unlikely to pay loans (taken from schedules to annual report)	This measure shows how the Issuer's unlikely to pay loans loss provision relates to the gross unlikely to pay loans.

Net unlikely to pay loans / total net loans	Ratio between (i) net unlikely to pay loans and (ii) total net loans (taken from schedules to annual report)	This measure shows how the Issuer's net unlikely to pay loans relate to the total net exposure to customers.

The Issuer believes that the above APMs provide useful information to investors regarding the financial position and performance, allowing for comparison with similar measures published by other banks as well as average industry standards and better illustrating specific aspects and trends of the Issuer's business activity; although it should be noted that, since not all banks calculate APM in the same manner, these measures are not always comparable.

GENERAL DESCRIPTION OF THE PROGRAMME

This section is a general description of the Programme for the purposes of Article 25.1(b) of Commission Delegated Regulation (EU) 2019/980 (as amended) and must be read as an introduction to this Base Prospectus. Any decision to invest in the Notes should be based on a consideration of the Base Prospectus as a whole, including any information incorporated by reference.

Words and expressions defined in "Terms and Conditions of the Notes" or elsewhere in this Base Prospectus have the same meaning in this section. Prospective investors should read the whole of this Base Prospectus, including the information incorporated by reference. Unless otherwise specified, the term "Terms and Conditions" or "Conditions" shall refer to the Terms and Conditions of the Notes and any reference to a "Condition" shall be to a Condition under the Terms and Conditions of the Notes.

Issuer:	Cassa Centrale Raiffeisen dell'Alto Adige S.p.A.
Issuer's Legal Entity Identifier (LEI):	529900N2ZB1B52JB2F83
Arranger:	Intesa Sanpaolo S.p.A.
Dealers:	Intesa Sanpaolo S.p.A. Commerzbank Aktiengesellschaft DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main Raiffeisen Bank International AG and any other Dealer appointed from time to time by the Issuer, either generally in respect of the Programme or in relation to a particular Tranche of Notes.
Paying Agent:	Cassa Centrale Raiffeisen dell'Alto Adige S.p.A. The Issuer is entitled to appoint a different Paying Agent in accordance with Condition 16 (*Agents*)
Luxembourg Listing Agent:	The Bank of New York Mellon SA/NV, Luxembourg Branch
Listing, approval and admission to trading:	This document has been approved by the CSSF as a base prospectus. Application has also been made for Notes issued under the Programme to be admitted to trading on the regulated market of the Luxembourg Stock Exchange and to be listed on the Official List of the Luxembourg Stock Exchange. Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the relevant Issuer, with notification to the relevant Dealer(s) in relation to the Series. Notes which are neither listed nor admitted to trading on any market may also be issued. Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche of Notes will be set out in the Final Terms which, with respect to Notes to be admitted to trading on the Luxembourg Stock Exchange, will be delivered to the Luxembourg Stock Exchange.

The applicable Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.

Clearing Systems:	Monte Titoli and/or in relation to any Tranche of Notes, any other clearing system as may be specified in the relevant Final Terms.
Initial Programme Amount:	€750,000,000 (or its equivalent in other currencies) aggregate principal amount of Notes outstanding at any one time. The Issuer may increase the amount of the Programme in accordance with the terms of the Dealer Agreement.
Issuance in Series:	Notes will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the Issue Date, the Interest Commencement Date, the Issue Price and the amount and date of the first payment of interest may be different in respect of different Tranches and each Tranche may comprise Notes of different denominations.
Final Terms:	Notes issued under the Programme will be issued pursuant to this Base Prospectus and associated Final Terms. The terms and conditions applicable to any particular Tranche of Notes are the Terms and Conditions of the Notes, together with the relevant Final Terms.
Forms of Notes:	The Notes will be held in dematerialised form on behalf of the beneficial owners, until redemption or cancellation thereof, by Monte Titoli, for the account of the relevant Monte Titoli Account Holders. The Notes have been accepted for clearance by Monte Titoli. The Notes will at all times be held in book entry form and title to the Notes and will be evidenced by book entries pursuant to the relevant provisions of Italian Legislative Decree dated 24 February 1998, No. 58 as subsequently amended and supplemented ("**Financial Services Act**") and in accordance with CONSOB and Bank of Italy Joined Regulation dated 13 August 2018, as subsequently amended and supplemented ("**CONSOB and Bank of Italy Joined Regulation**"). No physical document of title will be issued in respect of the Notes. However, the Noteholders may ask the relevant intermediaries for certification pursuant to Article 83-*quinquies* of the Financial Services Act. For further information, see section "*Forms of the Notes*".
Currencies:	Notes may be denominated in euro or in any other currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
Status of the Notes:	Notes may be issued on a subordinated or unsubordinated basis, as specified in the relevant Final Terms. See Condition 4 (*Status of Senior Notes*), Condition 5 (*Status of Senior Non-*

Preferred Notes) and Condition 6 (*Status of Subordinated Notes*).

(1) Status of Senior Notes:

Senior Notes will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* without any preference among themselves and at least *pari passu* with all other unsubordinated and unsecured obligations of the Issuer, present and future (save for such obligations as may be preferred by provisions of law that are both mandatory and of general application).

(2) Status of Senior Non-Preferred Notes:

Subject to the provisions of Condition 5 (*Status of Senior Non-Preferred Notes*), the obligations of the Issuer under the Senior Non-Preferred Notes in respect of principal, interest and other amounts constitute direct, unconditional, unsubordinated, unsecured and non-preferred obligations of the Issuer, ranking (i) junior to Senior Notes and any other unsecured and unsubordinated obligations of the Issuer which rank, or are expressed to rank by their terms, senior to the Senior Non-Preferred Notes, including claims arising from the excluded liabilities within the meaning of Article 72a(2) of the CRR, and (ii) at least *pari passu* without any preferences among themselves, and with all other present or future unsubordinated and non-preferred obligations of the Issuer which do not rank or are not expressed by their terms to rank junior or senior to the relevant Senior Non-Preferred Notes and (iii) in priority to any subordinated instruments, to any present or future claims ranking junior to such Series of Senior Non-Preferred Notes and to the claims of shareholders of the Issuer, pursuant to Article 91, section 1-*bis*, letter c-*bis* of the Consolidated Banking Law, as amended from time to time, and any relevant implementing regulation which may be enacted for such purposes by any Regulatory Authority, all as described in Condition 5(b) (*Status of Senior Non-Preferred Notes*) and the applicable Final Terms.

(3) Status of Subordinated Notes:

Subject to the provisions of Condition 6 (*Status of Subordinated Notes*), the Subordinated Notes constitute direct and unsecured obligations of the Issuer subordinated as described below. Save as provided in Condition 6(c) (*Status of disqualified Subordinated Notes*), the Subordinated Notes rank *pari passu* without any preference among themselves. In relation to each Series of Subordinated Notes, all Subordinated Notes of such Series will be treated equally and all amounts paid by the Issuer in respect of principal and interest thereon will be paid *pro rata* on all Subordinated Notes of such Series.

In the event of the winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa* of the Issuer), for so long as the relevant Series of Subordinated Notes qualify, in whole or in part, as Tier II Capital, the payment obligations of the Issuer under each Series of Subordinated Notes will rank in right of payment (A) after unsubordinated unsecured creditors (including depositors and any holder of Senior Notes, Senior Non-Preferred Notes) of the Issuer and all other creditors of the Issuer holding instruments that are less subordinated than the Subordinated Notes (including any subordinated instruments that have ceased to qualify, in their entirety, as own fund items (*elementi di fondi propri*)) but (B) at least *pari passu* with all other subordinated obligations of the Issuer which do not rank or are not expressed by their terms to rank junior or senior to such Series of Subordinated Notes, including holders of present or future outstanding Tier II Capital of the Issuer and (C) in priority to the claims of shareholders of the Issuer and to the claims of creditors of the Issuer holding instruments that are more subordinated than the Subordinated Notes.

If the relevant Series of Subordinated Notes do not qualify (or cease to qualify) in their entirety as own funds items (*elementi di fondi propri*), such Subordinated Notes will rank *pari passu* without any preference among the Notes and: (A) at least *pari passu* with the Issuer's obligations in respect of any other subordinated instruments that have ceased to qualify, in their entirety, as own funds items (*elementi di fondi propri*) and with all other subordinated indebtedness of the Issuer that have such ranking; (B) in priority to payments to holders of present or future outstanding indebtedness which qualifies, in whole or in part, as own funds items (*elementi di fondi propri*), including Additional Tier 1 Capital and Tier II Capital; and (C) junior in right of payment to the payment of any present or future claims of depositors of the Issuer and any other unsubordinated creditors of the Issuer (including Senior Notes and Senior Non-Preferred Notes).

Issue Price: Notes will be issued on a fully paid basis and may be issued at any price, as specified in the relevant Final Terms.

Maturities: Any maturity or no fixed maturity date, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.

In the case of Senior Non-Preferred Notes, unless otherwise permitted by current laws, regulations, directives and/or the Regulatory Authority's requirements applicable to the issue of Senior Non-Preferred Notes by the Issuer, Senior Non-Preferred Notes shall have a maturity of not less than twelve months.

Unless otherwise permitted by current laws, regulations, directives and/or the requirements of the Regulatory Authority, Subordinated Notes must have an original maturity of at least five years. If Subordinated Notes have an indefinite maturity, they may be redeemable only after five years' prior notice given to Noteholders, subject in any event to the prior authorisation of the Regulatory Authority.

Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 by the Issuer.

Redemption Amount: Subject to any purchase and cancellation or early redemption or repayment, the Notes will be redeemable at par.

Redemption: Subject to any purchase and cancellation or early redemption or repayment, Notes are redeemable at par as specified in the applicable Final Terms.

The redemption at maturity of Senior Notes and Senior Non-Preferred Notes pursuant to Condition 11(a) (*Scheduled redemption*) and any early redemption pursuant to Condition 11(b) (*Redemption for tax reasons*), Condition 11(d) (*Redemption at the option of the Issuer*) and Condition 11(h) (*Issuer Call Due to a MREL Disqualification Event*) shall be subject, where applicable, to compliance by the Issuer with any conditions to such redemption or repurchase prescribed by the MREL Requirements at the relevant time (including any requirements applicable to such redemption or repurchase due to the qualification of such Senior Non-Preferred Notes at such time as Eligible Liabilities available to meet the MREL Requirements).

The redemption at maturity of Subordinated Notes pursuant to Condition 11(a) (*Scheduled redemption*) and any early redemption pursuant to Condition 11(b) (*Redemption for tax reasons*), Condition 11(c) (*Redemption for regulatory reasons*) and Condition 11(d) (*Redemption at the option of the Issuer*) shall be subject to the prior approval of the Regulatory Authority to the extent required by and in accordance with the Applicable Banking Regulations. If such approval is not given on or prior

	to the relevant redemption date, the Issuer will re-apply to the Regulatory Authority for its consent to such redemption as soon as the conditions permit. The Issuer will use its best endeavours to maintain the required regulatory capital and to obtain such approval.
Optional Redemption:	Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or (in the case of Senior Notes and Senior Non-Preferred Notes only) the Noteholders to the extent (if at all) specified in the relevant Final Terms. If the Notes are Subordinated Notes, the Optional Redemption Date (Call) must not be earlier than five years after the Issue Date. In addition, early redemption of Subordinated Notes at the option of the Issuer is subject to prior approval of the Regulatory Authority. If the Notes are Senior Non-Preferred Notes, the Optional Redemption Date (call) must not be earlier than 12 months after the Issue Date.
Tax or Regulatory Redemption:	Except as described in "*Optional Redemption*" above, early redemption will only be permitted for tax reasons or, in the case of Subordinated Notes, for regulatory reasons, or, in the case of Senior Notes and Senior Non-Preferred Notes, for MREL Disqualification Event, as described in Conditions 11(b) (*Redemption for tax reasons*), 11(c) (*Redemption for regulatory reasons*) and 11(h) (*Issuer Call Due to a MREL Disqualification Event*) respectively. Early redemption of Subordinated Notes will in any event be subject to the prior approval of the Regulatory Authority.
Clean-up Redemption Option:	Notes may be redeemed, in whole but not in part and to the extent (if at all) specified in the relevant Final Terms, if 75% or any higher percentage specified in the relevant Final Terms of the initial aggregate nominal amount of the Notes of the same Series (which for the avoidance of doubt includes, any additional Notes issued subsequently and forming a single series with the first Tranche of a particular Series of Notes) have been redeemed or purchased by, or on behalf of, the Issuer and cancelled. Any such redemption shall be subject to the prior consent of the Regulatory Authority.
Interest:	Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or a combination of the two. Notes bearing interest at a fixed rate may contain provisions for interest to be reset on one or more occasions by reference to a mid-market swap rate. The method of calculating interest may vary between the issue date and the maturity date of the relevant Series.
Benchmark Replacement:	Condition 9(j) provides for certain fallback arrangements in the event that a Benchmark Event (as described in Condition 9(j)) occurs in relation to an Original Reference Rate at any time

when the Conditions provide for any remaining Rate of Interest (or any component part(s) thereof) to be determined by reference to such Original Reference Rate. In such event, the Issuer shall use its reasonable endeavours to appoint and consult with an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 9(j)(ii)) and, in either case, an Adjustment Spread, if any (in accordance with Condition 9(j)(iii)), as well as any Benchmark Amendments (in accordance with Condition 9(j)(iv)). See Condition 9(j) for further information.

Denominations: Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements, and save that the minimum denomination of (i) Senior Non-Preferred Notes will be €150,000 (or the equivalent amount where the Notes are denominated in a currency other than euro); (ii) Subordinated Notes will be €200,000 (or the equivalent amount where the Notes are denominated in a currency other than euro); and (iii) Senior Notes will be €1,000 (or the equivalent amount where the Notes are denominated in a currency other than euro), or, in each case, such other minimum denomination provided by applicable law from time to time.

Negative Pledge: None.

Taxation: All payments in respect of Notes will be made free and clear of withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Italy or any political subdivision thereof or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer will (subject to the exceptions set out in Condition 13 (*Taxation*)) pay such additional amounts in respect of principal for the Senior Notes not qualifying at such time as liabilities that are eligible to meet the MREL Requirements only and in respect of interest for any Notes, as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding or deduction been required.

As more fully set out in Condition 13 (*Taxation*), the Issuer shall not be liable in certain circumstances to pay any additional amounts to holders of the Notes, including circumstances where any payment, withholding or deduction is required:

(i) pursuant to Decree No. 239 on account of Italian substitute tax, as defined therein in relation to interest

	or premium payable on, or other income deriving from, the Notes.
	(ii) by the provisions of U.S. federal income tax law commonly referred to as the U.S. Foreign Account Tax Compliance Act (or FATCA) as a result of a holder, a beneficial owner or an intermediary that is not an agent of the Issuer not being entitled to receive payments free of FATCA withholding.
Governing Law of the Notes:	The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, Italian law.
Ratings:	Notes issued pursuant to the Programme may be rated or unrated. Where an issue of Notes is rated, its rating will be specified in the Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
	Whether or not each credit rating applied for in relation to the relevant Series of Notes will be (1) issued or endorsed by a credit rating agency established in the EEA and registered under the EU CRA Regulation or by a credit rating agency which is certified under the EU CRA Regulation and/or (2) issued or endorsed by a credit rating agency established in the UK and registered under the UK CRA Regulation or by a credit rating agency which is certified under the UK CRA Regulation will be disclosed in the Final Terms. In general, EEA regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the EU CRA Regulation or (1) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the EU CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA which is certified under the EU CRA Regulation. In general, UK regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the UK and registered under the UK CRA Regulation or (1) the rating is provided by a credit rating agency not established in the UK but is endorsed by a credit rating agency established in the UK and registered under the UK CRA Regulation or (2) the rating is provided by a credit rating agency not established in the UK which is certified under the UK CRA Regulation.
Selling Restrictions:	For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the EEA, the United Kingdom, Italy, France and Japan, see "*Subscription and Sale*" below.

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

The Issuer believes that the matters described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate.

The risks that are specific to the Issuer and those specific to the Notes are presented respectively in four and three separate categories, in each case with the most material risk factor presented first in each category and the remaining risk factors presented in an order which is not intended to be indicative either of the relative likelihood that each risk will materialise or of the magnitude of their potential impact on the business, financial condition and results of operations of the Issuer. Additional risks and uncertainties relating to the Issuer and the industries in which it operates that are not currently known to the Issuer or which it currently deems immaterial may also, either individually or cumulatively, have a material adverse effect on the business, prospects, results of operations and/or financial position of the Issuer. If any such risk should occur, the price of the Notes may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Notes is suitable for them in light of the information in this Base Prospectus and their personal circumstances.

Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.

Words and expressions defined in "Forms of the Notes", "Terms and Conditions of the Notes" or elsewhere in this Base Prospectus have the same meaning in this section. Prospective investors should read the whole of this Base Prospectus, including the information incorporated by reference.

RISKS RELATED TO THE ISSUER

The risks below have been classified into the following categories:

1. *Risks related to the Issuer's business activities and industry;*
2. *Risks related to general economic conditions;*
3. *Risks related to legal and regulatory framework;*
4. *Risks related to the Issuer's environment*.

1. Risks related to the 'Issuer's business activities and industry

Risks concerning liquidity

The Issuer's businesses are subject to risks concerning liquidity which are inherent in its banking operations and could affect the Issuer's ability to meet its financial obligations as they fall due or to fulfil its commitments to lend. In order to ensure that the Issuer continues to perform its funding activities and to maintain or grow its business generally, it relies on customer savings and transmission balances, as well as on-going access to the wholesale lending markets. The ability of the Issuer to access wholesale and retail funding sources on favourable economic terms is dependent on a variety of factors, including a number of factors outside of its control, such as liquidity constraints, general market conditions and confidence in the Italian banking system.

The global financial crisis and resulting financial instability have significantly reduced the levels and availability of liquidity and term funding. In particular, the perception of counterparty credit risk between banks has increased significantly, resulting in further reductions in inter-bank lending and the level of confidence from banks' customers. Should the Issuer be unable to continue to source a sustainable funding profile, under such funding and liquidity environment, the Issuer's ability to fund its financial obligations at a competitive cost, or at all, could be adversely affected.

Competition in the Italian market

Competition is intense in all of the Issuer's primary business areas in Italy. The Issuer derives nearly all of its banking income from its banking activities in Italy, a market where competitive pressures have been increasing quickly and which has been going through a process of consolidation, with large banking groups undergoing mergers and acquisitions to achieve greater economies of scale. Larger banks are in a better position to take advantage of economies of scale and to spread fixed costs and investments, for example in information technology, over a large number of clients. Larger banks also have greater financial and operational resources than smaller banks such as the Issuer. If the Issuer is unable to continue to respond to the competitive environment in Italy with attractive product and service offerings that are profitable for the Issuer, it may lose market share in important areas of its business or incur losses on some or all of its activities. In addition, downturns in the Italian economy could add to the competitive pressure through, for example, increased price pressure and lower business volumes for which to compete.

Small local market

The Issuer is a small Italian savings bank, based in the Italian autonomous region of Trentino-Alto Adige/Südtirol and has local operations concentrated principally in the north-east of Italy. Accordingly, the Issuer's market is limited. The Issuer's loan portfolio is geographically narrow and is concentrated in industries that mirror the local economy. At the same time, there can be no assurance that the Issuer will maintain its niche position in the future. Any downturn in economic conditions affecting the Issuer's local market and the main industries in that area (such as tourism) may have a material adverse effect on the Issuer's financial condition and results of operations.

Risks arising from the reform of the cooperative banks

Following the enactment of Law No. 49 of 8 April 2016 providing for the reform of the Italian credit cooperative banks, and the subsequent Law Decree No. 119/2018 converted into Law No. 136 of 17 December 2018, the co-operative banks of the province of Bolzano (the "**Raiffeisen Banks**") (the Issuer's shareholders) obtained the possibility to choose between the creation of a cooperative banking group or an institutional protection scheme according to article 113, paragraph 7 of the CRR ("**IPS**").

In December 2018, in order to maintain their independence, the Raiffeisen Banks opted for an IPS, which the Issuer also decided to join. The key objective of the IPS is to protect the member institutions providing a solidarity mechanism. The central pillar of the IPS is the guarantee scheme covering all liabilities of the Issuer and the other members of the IPS. In this context, it is relevant to note that the guarantee scheme will oblige the Issuer and all other members of the IPS to commit part of the Own Funds, if necessary, in order to provide the financial support required to fulfil the guarantee obligations. The amount of Own Funds to be pledged is limited to those Own Funds in excess of the regulatory obligations.

The newly established cooperative entity "Raiffeisen IPS" received the authorisation from the Bank of Italy in November 2020. Against this background, in addition to the risk relating to the Issuer, investors could, from the constitution of the IPS onwards, also be exposed to the indirect risk of other banks, members of the IPS.

Credit and market risk

To the extent that any of the instruments and strategies used by the Issuer to hedge or otherwise manage its exposure to credit or market risk are not effective, the Issuer may not be able to mitigate effectively its risk exposure in particular market environments or against particular types of risk. The Issuer's trading revenues and interest rate risk are dependent upon its ability to identify properly, and mark to market, changes in the value of financial instruments caused by changes in market prices or interest rates. The Issuer's financial results also depend upon how effectively the Issuer determines and assesses the cost of credit and manages its own credit risk and market risk concentration.

Risk management and exposure to unidentified or unanticipated risks

The Issuer has devoted significant resources to developing policies, procedures and assessment methods to manage market, credit, liquidity and operating risks and intends to continue to do so in the future. Nonetheless, the Issuer's risk management techniques and strategies may not be fully effective in mitigating its risk exposure in all economic market environments or against all types of risks, including risks that the Issuer fails to identify or anticipate. If existing or potential customers believe that the Issuer's risk management policies and procedures are inadequate, the Issuer's reputation as well as its revenues and profits may be negatively affected.

Operational risk

The Issuer, like all financial institutions, is exposed to many types of operational risk, including the risk of fraud by employees and outsiders, unauthorised transactions by employees or operational errors, including errors resulting from faulty information technology or telecommunication systems. Although the Issuer's systems and processes are designed to ensure that the operational risks associated with the Issuer's activities are appropriately monitored, any failure or weakness in these systems could adversely affect the Issuer's financial performance and business activities.

IT and Cyber Risk

Information technology or IT risk is any threat to the Issuer's business data, critical systems and business processes and is associated with the use, ownership, operation, involvement, influence and adoption of IT within the Issuer's organisation. Notwithstanding the constant monitoring by the Issuer of its systems and updating of security risk management, considering the increasing dependence on computer systems and online channels and interconnected devices there may be a corresponding significant exposure to IT risks which may generate losses in terms of earnings, reputation and market share in relation to the use of the Issuer's information system and networks.

Impact of events which are difficult to anticipate

The Issuer's earnings and business may be affected by general economic conditions, the performance of financial markets, interest rate levels, currency exchange rates, changes in laws and regulation, changes in the polices of central banks, particularly the Bank of Italy and the European Central Bank, and competitive factors, at a regional, national and international level. Each of these factors can change the level of demand for the Issuer's products and services, the credit quality of borrowers and counterparties, the interest rate margin of the Issuer between lending and borrowing costs and the value of the Issuer's investment and trading portfolios.

2. Risks related to general economic conditions

Risks related to the impact of global macro-economic factors

Risks associated with the Russian invasion of Ukraine

The ongoing Russian invasion of Ukraine, which was launched on 24 February 2022, together with the imposition of sanctions and export controls against Russia and Russian interests by a number of countries including the European Union, has already had a significant impact on the European and global economy, with greater market volatility and inflation and an impact on the prices of energy and natural gas. As at the date of this Base Prospectus, it is not possible to predict the broader consequences of the invasion, which could include further sanctions, export controls and embargoes, greater regional instability, geopolitical shifts and other adverse effects on macroeconomic conditions, currency exchange rates, supply chains and financial markets, all of which could, either directly or indirectly, have an adverse impact on the Issuer's business, financial condition and results of operations.

Risks arising from a sovereign credit rating change

The Issuer's credit ratings are potentially exposed to the risk of reductions in the sovereign credit rating of Italy. On the basis of the methodologies used by rating agencies, downgrades of Italy's credit rating may have a potential knock-on effect on the credit rating of Italian issuers such as the Issuer and make it more likely that the credit rating of Notes issued under the Programme are downgraded.

Risks related to financial and macroeconomic conditions in global and domestic markets

The Issuer's operations are concentrated in Italy and its business, financial condition and results of operations are significantly affected by the general economic situation in Italy which, in turn, is closely linked to the state of the wider economy, both at EU level and worldwide. A number of uncertainties remain in the current macroeconomic environment, namely:

(i) the consequences of the Russian invasion of Ukraine, the impact of European Union sanctions on Russia and the risk of the conflict spreading elsewhere;

(ii) trends in the economy and the prospects of recovery and consolidation of the economies of developed countries such as the US and China;

(iii) the trend towards protectionism driven by U.S. government policy and the outcome of the trade dispute between the US and China;

(iv) future development of the monetary policy of the European Central Bank in the Euro area, the Federal Reserve System, and in the Dollar area, and the policies implemented by other countries aimed at promoting competitive devaluations of their currencies;

(v) concerns over the long-term sustainability of the European single currency; and

(vi) the sustainability of the sovereign debt of certain countries and related recurring tensions on the financial markets.

In addition, the global economy, the condition of the financial markets, adverse macroeconomic developments in the Issuer's primary markets and any future sovereign debt crisis in Europe may all significantly influence the Issuer's performance. The Issuer's earning capacity and stability can be affected by the overall economic situation and by the dynamics of the financial markets. Moreover, the economy in Italy, the Issuer's principal market, has been affected in recent years by a significant slowdown as well as an increased focus in terms of legislative and regulatory policies.

After a long period of low inflation and interest rates, the tightening of monetary policy generated losses on long-term fixed-income assets and economic growth remains low while financial risks arise. The Issuer's results could be affected by general economic, financial and other business conditions and by the trends of Italian economy. Italy is the country where the Issuer mainly concentrates and the perception of Italy's financial condition and prospects of economic growth could influence investors. Notwithstanding the difficult economic period, at 31 December 2022 the Issuer's total financial assets (direct and indirect) remained stable compared with the end of 2021. Negative developments in terms of monetary policy and any extraordinary event in the markets where the Issuer operates could have a material adverse effect of its business and profitability. All of the above factors, in particular in times of economic and financial crisis, could result in an increase in the Issuer's borrowing costs, a slowdown in its ordinary business and/or a decline in its asset values, all of which could have an adverse impact on the Issuer's business, financial condition and results of operations.

Market declines and volatility

The results of the Issuer may be affected by general economic, financial and other business conditions. During a recession, there may be less demand for loan products and a greater number of the Issuer's customers may default on their loans or other obligations. Interest rate rises may also have an impact on the demand for mortgages and other loan products. The risk arising from the impact of the economy and business climate on the credit quality of the Issuer's borrowers and counterparties can affect the overall credit quality and the recoverability of loans and amounts due from counterparties.

Protracted market declines and reduced liquidity in the markets

In some of the Issuer's businesses, protracted adverse market movements, particularly the decline of asset prices, can reduce market activity and market liquidity. These developments can lead to material losses if the Issuer cannot close out deteriorating positions in a timely way. This may especially be the case for assets that did not enjoy a very liquid market to begin with. The value of assets that are not traded on stock exchanges or other public trading markets, such as derivatives contracts between banks, may be calculated by the Issuer using models other than publicly quoted prices. Monitoring the deterioration of the prices of assets like these is difficult and failure to do so effectively could lead to unanticipated losses. This in turn could adversely affect the Issuer's operation results and financial condition.

In some of the Issuer's businesses, protracted or steep declines in the stock or bond markets in Italy and elsewhere may adversely affect the Issuer's securities trading activities and its asset management services, as well as the Issuer's investments in and sales of products linked to the performance of financial assets.

Changes in interest rates

Changes in interest rate levels may affect the interest rate margin realised between lending and borrowing costs. The Issuer earns interest from loans and other assets and pays interest to its depositors and other creditors. The Issuer's results of operations are therefore dependent to a great extent on its net interest income, which is the difference between the yield on its interest-bearing assets and the cost of its interest-bearing liabilities. This varies according to prevailing interest rates and is a significant factor in determining the profitability of the Issuer. Interest rates are highly sensitive to many factors beyond the Issuer's control, including fiscal and monetary policies of governments and central banks in the jurisdictions in which the Issuer operates. In particular, the effect of the EU's Economic and Monetary Union and the policies of the government of the Republic of Italy are significant for the Issuer and are subject to change.

3. Risks related to changes to legal and regulatory framework

Changes to legal and regulatory framework

The Issuer, as a bank, is subject to extensive regulation and supervision by the Bank of Italy, the *Commissione Nazionale per le Società e la Borsa* or "CONSOB" (the Italian financial markets regulator), the European Central Bank and the European System of Central Banks. The banking laws to which the Issuer is subject govern the activities in which banks and foundations may engage and are designed to maintain the safety and soundness of banks, and limit their exposure to risk. In addition, the Issuer must comply with financial services laws that govern its marketing and selling practices. Changes to the regulatory framework governing international financial markets and the implementation of new legislation and regulations by the competent authorities could generate new burdens and obligations for the Issuer with possible impacts on operational results and the economic and financial situation of the Issuer.

Bank Recovery and Resolution Directive

On 2 July 2014, the directive providing for the establishment of a EU-wide framework for the recovery and resolution of credit institutions and investments firms (Directive 2014/59/EU) (the "**Bank Recovery and Resolution Directive**" or "**BRRD**") entered into force. The BRRD is designed to provide competent authorities with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing institution so to ensure the continuity of the institution's critical financial and economic functions, while minimising the impact of an institution's failure on the economy and financial system.

The BRRD contains four resolution tools and powers which may be used alone or in combination where the relevant resolution authority considers that (a) an institution is failing or likely to fail, (b) there is no reasonable prospect that any alternative private sector measures would prevent the failure of such institution within a reasonable timeframe, and (c) a resolution action is in the public interest:

(i) sale of business – which enables resolution authorities to direct the sale of the firm or the whole or part of its business on commercial terms;

(ii) bridge institution – which enables resolution authorities to transfer all or part of the business of the firm to a "bridge institution" (an entity created for this purpose that is wholly or partially in public control);

(iii) asset separation – which enables resolution authorities to transfer all assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only); and

(iv) bail-in – which gives resolution authorities the power to write down certain claims of unsecured creditors (including, *inter alia*, the Senior Preferred Notes, Senior Non-Preferred Notes and the Subordinated Notes) of a failing institution and to convert certain unsecured debt claims (including, *inter alia*, the Senior Preferred Notes, Senior Non-Preferred Notes and the Subordinated Notes) to equity (the "**General Bail-in Tool**"), which equity could also be subject to any future application of the General Bail-in Tool.

The BRRD also provides for a Member State as a last resort, after having assessed and exhausted the above resolution tools (including the bail-in tool) to the maximum extent possible whilst maintaining financial stability, to be able to provide extraordinary public financial support through additional financial stabilisation tools. These consist of the public entity support and temporary public ownership tools. Any such extraordinary financial support must be provided in accordance with the EU state aid framework and the BRRD.

An institution will be considered as failing or likely to fail when: (i) it is, or is likely in the near future to be, in breach of its requirements for continuing authorisation; (ii) its assets are, or are likely in the near future to be less than its liabilities; (iii) it is, or is likely in the near future to be, unable to pay its debts or other liabilities as they fall due; or (iv) it requires extraordinary public financial support (except in limited circumstances).

In addition to the General Bail-in Tool, the BRRD provides for resolution authorities to have the further power to permanently write-down or convert into equity Tier 1 and Tier 2 capital instruments (such as the Subordinated Notes) at the point of non-viability and before (or simultaneously), any other action is taken ("**Non-Viability Loss Absorption**"). Any shares issued to holders of such capital instruments upon any statutory conversion into equity may also be subject to any application of the General Bail-in Tool, which may result in the cancellation or dilution of the shareholding. For the purposes of the application of any Non-Viability Loss Absorption measure, the point of non-viability under the BRRD is the point at which the relevant authority determines that the institution or, under certain circumstances, a group meets the conditions for resolution (but no resolution acquisition has yet been taken) or that the institution or, under certain conditions, a group will no longer be viable unless the relevant capital instruments are written-down or converted or extraordinary public support is to be provided and without such support the appropriate authority determines that the institution or, under certain conditions a group would no longer be viable.

Any application of the general bail-in tool and non-viability loss absorption under the BRRD shall be in accordance with the hierarchy of claims in normal insolvency proceedings. Accordingly, the impact of such application on the Noteholders will depend on their ranking in accordance with such hierarchy, including any priority given to other creditors such as depositors. Hence, also in a non-bankruptcy scenario, in case of application of the bail-in tool, the Senior Preferred Notes, Senior Non- Preferred Notes and Subordinated Notes might be written down to zero, or converted to equity, without the prior written consent of the relevant Noteholders.

The BRRD has been implemented in Italy through the adoption of two Legislative Decrees by the Italian Government. In particular, Legislative Decrees Nos. 180/2015 and 181/2015 implementing the BRRD in Italy (the "**BRRD Implementing Decrees**"). Legislative Decree No. 180/2015 is a stand-alone law, which implements the BRRD in Italy, while Legislative Decree No. 181/2015 amends the Legislative Decree No. 385 of 1 September 1993 and deals principally with recovery plans, early intervention and changes to creditor hierarchy. The BRRD Implementing Decrees entered into force on 16 November 2015, save for: (i) the bail-in tool, which applied from 1 January 2016; and (ii) the "depositor preference" to deposits other than those protected by the deposit guarantee scheme and those of individuals and small and medium enterprises, which applied from 1 January 2019.

In the context of these resolution tools, the resolution authorities have the power to amend or alter the maturity of debt instruments and other Eligible Liabilities issued by an institution under the resolution or amend the amount of interest payable under such instruments or other Eligible Liabilities, or the date on which the interest becomes payable, including by suspending payment for a temporary period, except for those secured liabilities which are the subject to Article 44(2) of the BRRD.

In addition, because (i) Article 44(2) of the BRRD, excludes certain liabilities from the application of the General Bail-in Tool, and (ii) the BRRD provides, at Article 44(3), that the resolution authority may partially or fully exclude certain further liabilities from the application of the General Bail-in Tool, the BRRD specifically contemplates that *pari passu* ranking liabilities may be treated unequally. Accordingly, holders of Senior Notes and Subordinated Notes may be subject to write-down/conversion upon an application of the General Bail-in Tool while other Series of Senior Notes or, as appropriate, Subordinated Notes (or, in each case, other *pari passu* ranking liabilities) are partially or fully excluded from such application of the General Bail-in Tool. Further, although the BRRD provides a safeguard in respect of shareholders and creditors upon application of resolution tools, Article 75 of the BRRD sets out that such protection is limited to the incurrence by shareholders or, as appropriate, creditors, of greater losses as a result of the application of the relevant tool that they would have incurred in a winding-up under normal insolvency proceedings. It is therefore possible not only that, in circumstances in which Senior Notes or Subordinated Notes have been partially or fully written -down/converted into equity capital instruments on an application of the General Bail-in Tool, the claims of other holders of junior or *pari passu* liabilities may have been excluded from the application of the General Bail-in Tool and therefore the holders of such claims may receive a treatment which is more favourable than that received by holders of the relevant Notes, but also that the safeguard referred to above does not apply to ensure equal (or better) treatment compared to the holders of such fully or partially excluded claims because the safeguard is not intended to address such possible unequal treatment but rather to ensure that shareholders or creditors do not incur greater losses in a bail-in (or other application of a resolution tool) that they would have received in a winding-up under normal insolvency proceedings.

Also, Article 108 of the BRRD requires that Member States modify their national insolvency regimes such that deposits of natural persons and micro, small and medium size enterprises in excess of the coverage level contemplated by deposit guarantee schemes created pursuant to Directive 2014/49/EU have a ranking in normal insolvency proceedings which is higher than the ranking which applies to claims of ordinary, unsecured, non-preferred creditors, such as holders of Senior Notes. In addition, the BRRD does not prevent Member States, including Italy, from amending national insolvency regimes to provide other types of creditors, with ranking in insolvency higher than ordinary, unsecured, non-preferred creditors. Legislative Decree No. 181/2015 has amended the creditor hierarchy in the case of admission of Italian banks and investment firms to liquidation proceedings (and therefore the hierarchy which will apply in order to assess claims pursuant to the safeguard provided for in Article 75 of the BRRD as described above), by providing that, as of 1 January 2019, all deposits other than those protected by the deposit guarantee schemes and excess deposits of individuals and small and medium size enterprises will benefit from priority over senior unsecured liabilities, though with a ranking which is lower than that provided for deposits of individuals and small and medium size enterprises exceeding the coverage limit of the deposit guarantee scheme. This means that, as from 1 January 2019, significant amount of liabilities in the form of large corporate interbank deposits which under national insolvency regime in force prior to such date in Italy ranked *pari passu* with Senior Preferred Notes, will rank higher than Senior Preferred Notes, will rank higher than Senior Preferred Notes in normal insolvency proceedings and therefore that, on application of the General Bail-in Tool, such creditors will be written-down/converted into equity capital instruments. Hence, the safeguard set out in Article 75 of the BRRD referred to above would not provide any protection to specific Italian banks counterparties since, as previously noted, Article 75 of the BRRD only seeks to achieve compensation for losses incurred by creditors which are in excess of those which would have been incurred in a winding-up under normal insolvency proceedings.

On 28 December 2017, Directive (EU) 2017/2399, amending the BRRD as regards the ranking of unsecured debt instruments in insolvency hierarchy (the "**BRRD Amending Directive**") entered into force. The BRRD Amending Directive requires Member States to create a new class of the so-called "senior non-preferred" debt instruments which would rank just below the most senior debt and other senior liabilities for the purposes of liquidation, while still being part of the senior unsecured debt category (only as a lower tier of senior debt) and that will be eligible to meet MREL, as defined below and TLAC standard requirements, as defined below. The new creditor hierarchy will not have a retroactive effect and will only apply to new issuance of bank debts. In this regard, the Italian Law No. 205 of 27 December 2017 contains the implementing provisions pertaining to "non-preferred" senior debt instruments.

Legislative Decree No. 181/2015 has also introduced strict limitations on the exercise of the statutory rights of set-off normally available under insolvency laws, in effect prohibiting set-off by any creditor in the absence of an express agreement to the contrary. Since each holder of Subordinated Notes, Senior Non-Preferred Notes and, in circumstances where the waiver is selected (as applicable in the relevant Final Terms), the Senior Preferred Notes will have expressly waived any rights of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Senior Notes or Subordinated Notes, it is clear that the statutory right of set-off available under Italian insolvency laws will likewise not apply.

The amendments introduced to the BRRD by the BRRD Amending Directive create a new category of unsecured debt in bank creditors' insolvency ranking. It establishes a EU harmonised approach on the priority ranking of bank noteholders in insolvency and in resolution. The agreement on the harmonised rules on the priority ranking of bank noteholders in insolvency and in resolution facilitates a more efficient path towards banks' compliance with the TLAC standard for Global Systemically Important Banks- G-SIBs that should apply from 2019 onwards, as agreed in the Financial Stability Forum. In addition, by providing greater legal certainty for the issuer and investors and reducing the risk of legal challenges, these harmonised rules will facilitate the application of the bail-in tool in resolution.

Legislative Decree No. 30 of 15 February 2016 (largely in force as of 9 March 2016) implemented in Italy the revised Deposit Guarantee Schemes Directive in Italy ("**Decree No. 30**"). The Decree amends the Consolidated Banking Act and (i) establishes that the maximum deposit guaranteed amount is € 100,000 which has been harmonised by the Deposit Guarantee Schemes Directive and is applicable to all deposit guarantee schemes; (ii) lays down the minimum financial budget that national guarantee schemes should have; (iii) details intervention methods of the national deposit guarantee schemes; and (iv) harmonises the methods of reimbursement to depositors in case of insolvency of a credit institution.

The BRRD also requires institutions to meet at all times robust minimum requirements of own funds and liabilities eligible for bail-in expressed as a percentage of the total liabilities of own funds of the institution (*i.e.* "Minimum Requirement for Own Funds and Eligible Liabilities" – **MREL**). MREL represents one of the key tools to improve banks resolvability, allowing resolution authorities to maintain critical functions and restore a bank's capital position after resolution. This MREL requirement should ensure that shareholders and creditors bear losses regardless of which resolution is applied. The resolution authority, after consulting with the relevant competent authority will set the MREL for the relevant institution based on the assessment criteria identified by the EBA in its regulatory technical standards (RTS) pursuant to Article 45. Article 7(1) of EBA final RTS on criteria for determining MREL requires resolution authorities to ensure that MREL is sufficient to allow the write down or conversion of an amount of Own Funds and qualifying Eligible Liabilities at least equal to the sum of the loss absorption amount and the recapitalisation amount, subject to certain criteria. The resolution authority has discretion to allow BRRD institutions to meet part of their MREL obligations through "contractual bail-in instruments". The BRRD does not foresee an absolute minimum, but attributes the competence to set a minimum amount for each bank to national resolution authorities (for banks not being part of the Banking Union) or to the Singles Resolution Board (the "**SRB**") for banks being part of the Banking Union. The EBA issued final draft regulatory technical standards which further define the way in which resolution authorities/the SRB shall calculate MREL, as further implemented by the European Commission with Commission Delegated Regulation (EU) 2016/1450.

On 23 May 2016 the European Commission adopted Commission Delegated Regulation (EU) 2016/1450 supplementing BRRD specifying the criteria which further define the way in which resolution authorities/the SRB shall calculate MREL, as described in Article 45(6) of the BRRD, which entered into force on 23 September 2016.

For banks which are not included in the list of G-SIBs, liabilities that satisfy the requirements set forth in the EU Banking Reform and do not qualify as CET1, Tier 1 and Tier 2 instruments, shall qualify as Eligible Liabilities for the purposes of MREL, unless they fall into any of the categories of excluded liabilities.

MREL has been updated throughout the years until June 2019 when SRB published a further update to its 2018 MREL policy in the light of publication of the Banking Package (CRR-II/CRD-V/BRRD-II/SMR-II). This was followed by an overall update of MREL Policy under the Banking Package (BRRD-II/SRMR-II) published on 20 May 2020, which covers: (a) MREL requirements for G-SIBs; (b) changes to the calibration of MREL, including introducing MREL based on a leverage ratio; (c) changes to the quality of MREL (subordination); (d) dedicated rules for certain business models, such as cooperatives, and for resolution strategies, such as multiple point of entry (MPE); (e) provisions on internal MREL; (f) clarifications on third-country issuance and (g) how these changes will be phased in.

MREL decisions were communicated to institutions at the beginning of 2021 setting the binding intermediate target to be met by 1 January 2022 and the fully calibrated MREL final target to be met by 1 January 2024.

On 7 June 2019, as part of the contemplated amendments to the BRRD, Single Resolution Mechanism and Singles Resolution Fund Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms ("**CRR**") and Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms ("**CRD IV**"), the following legislative texts have been approved:

Directive (EU) 2019/878 of the European Parliament on of the Council of 20 May 2019 amending the Capital Requirements Directive IV as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures (the "**CRD V**" and together with BRRD II, SRM II Regulation, CRR II, the "**BRRD II reforms**");

Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No. 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own fund and Eligible Liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements and Regulation (EU) No. 648/2012 ("**CRR II**");

Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending the Bank Recovery and Resolution Directive as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firm and Directive 98/26/EC (the "**BRRD II**"); and

Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 806/2014 with regard to loss-absorbing and recapitalisation capacity of credit institutions and investment firms ("**SRM II Regulation**").

The BRRD II reforms introduced, among other things, the Total Loss-absorbing Capacity Term Sheet (the "**TLAC standard**") as implemented by the Financial Stability Board, by adapting the existing BRRD regime relating to the specific MREL.

The new MREL regime is aligned with TLAC standard requirements in terms of calculation of loss absorption and recapitalisation amount. The Eligible Liabilities under MREL are determined according to the provisions concerning the Eligible Liabilities under TLAC standards. This requirement may therefore have an impact on the financial performance of the Issuer.

Article 33a of BRRD II introduces a new pre-resolution moratorium tool as a temporary measure in an early stage and new suspension powers, which the resolution authority can use within the resolution period. Any suspension of activities can, as stated above, result in the partial or complete suspension of the performance agreements (including any payment or delivery obligation) entered into by the respective credit institution. The exercise of such power or any suggestion of such exercise could materially affect the rights of the holders of the Issuer's securities, the price or value of their investment in any such security and/or the ability of the credit institution to satisfy its obligations under any such security.

BRRD II was implemented in Italy by Legislative Decree No. 193 of 8 November 2021 (the "**193 Decree**"). The 193 Decree has transposed in the Italian legislation Article 48(7) of BRRD II under Article 91, paragraph 1-*bis*), letter c-*ter*) of the Consolidated Banking Act.

The amended Article 91 of the Consolidated Banking Act provides for the following ranking:

(i) subordinated instruments which do not qualify (and no part thereof is recognised) as own funds items (*elementi di fondi propri*) shall rank senior to own funds items (including any instruments only partly recognised as own funds items (*elementi di fondi propri*) and junior to senior non-preferred instruments (*strumenti di debito chirografario di secondo livello*));

(ii) if instruments which qualified in whole or in part as own funds items (*elementi di fondi propri*) cease in their entirety to be classified as such, they will rank senior to own funds items (*elementi di fondi propri*) but junior to senior non-preferred instruments. The provision also applies to instruments issued before the 193 Decree came into effect, i.e. 1 December 2021.

The Issuer continuous implementation of these measures may have a considerable impact on its capital and on its assets and liabilities management as new regulation may restrict or limit the type of volume of transactions in which the Issuer participates. Further introduction of new regulation may require the Issuer to comply with new requirements and standards that are not predictable by the Issuer at this time and such adaptation may lead to the Issuer incurring in additional costs deriving from potential change, adaptation or renovation of the characteristics of its services and products, internal and external control structures and/or distribution mechanisms or facilities to comply with new potential regulations. The occurrence of these events may have a negative impact on the Issuer's business, performance and/or financial condition.

Single Resolution Mechanism

On 19 August 2014, the Regulation (EU) No. 806/2014 establishing a single Resolution Mechanism (the "**SRM**" and "**SRM Regulation**") entered into force.

The SRM is operative as of 1 January 2016 and the national resolution fund for Italy was created in November 2015. There are, however, certain provisions including those concerning the preparation of resolution plan and provisions relating to the cooperation of the SRB (the "**Board**") with national resolution authorities, which entered into force on 1 January 2015.

The SRM Regulation, which complements the SSM, applies to all banks supervised by the SSM. It mainly consists of the Board and a Singles Resolution Fund (the "**Fund**").

A centralised decision-making process has been built around the Board and involves the European Commission and the Council of the European Union – which has the possibility to object to the Board's resolutions – as well as the ECB and the domestic resolution authorities.

The Fund is intended to reach the target level of at least 1 per cent. of the amount covered deposits of all credit institutions within the Banking Union by 31 December 2023. The Fund shall not be used to absorb losses of an institution or to recapitalize an institution.

The manner in which the SRM will operate is still evolving and therefore it remains some uncertainty as to how the SRM may affect the Issuer.

4. Risks related to the Issuer's environment

Climate change risks

Climate change can create (i) transition risks associated with the move to a carbon neutral economy through policy, regulatory and technological changes; (ii) physical risks connected to weather impacts, changes and unpredictability; and (iii) derivative risks, which originate from parties, which may suffer losses from the effects of climate change and may seek compensation from those they hold responsible. Any of these risks can result in financial losses that could impair asset values and the creditworthiness of the Issuer's customers adversely impacting the Issuer.

In addition, climate change may imply, among others, three primary drivers of financial risk that could adversely affect the Issuer:

(i) credit risks: physical climate change could lead to increased credit exposure and companies with business models not aligned with the transition to a low-carbon economy may face a higher risk of reduced corporate earnings and business disruption due to new regulations or market shifts.

(ii) market risks: market changes in the most carbon-intensive sectors could affect energy and commodity prices, corporate bonds, equities and certain derivatives contracts. Increasing frequency of severe weather events could affect macroeconomic conditions, weakening fundamental factors such as economic growth, employment and inflation.

(iii) operational risks: severe weather events could directly affect business continuity and operations both of customers and the Issuer.

RISKS RELATING TO THE NOTES

The risks below have been classified into the following categories:

1. *Risks related to Notes generally;*
2. *Risks related to the structure of a particular issue of Notes;*
3. *Risks related to the market generally.*

1. Risks related to the Notes generally

Potential Conflicts of Interest

The Issuer may act as Paying Agent and Calculation Agent and a conflict of interest may arise being the Issuer engaged in its other banking activities from time to time and in transactions involving an index or related derivatives which may affect amounts receivable by Noteholders during the term and on the maturity of the Notes or the market price, liquidity or value of the Notes and which could be deemed to be adverse to the interests of the Noteholders.

Delisting of the Notes

Application has been made for Notes issued under the Programme to be listed on the Luxembourg Stock Exchange and Notes issued under the Programme may also be admitted to trading, listing and/or quotation by any other listing authority, stock exchange or quotation system (each, a "listing"), as specified in the relevant Final Terms. Such Notes may subsequently be delisted despite the best efforts of the Issuer to maintain such listing and, although no assurance is made as to the liquidity of the Notes as a result of listing, any delisting of the Notes may have a material effect on a Noteholder's ability to resell the Notes on the secondary market.

Change of law

The Conditions are governed by Italian law in effect as of the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to applicable law or administrative practice after the date of this Base Prospectus.

2. Risks related to the structure of a particular issue of Notes

The Bank Recovery and Resolution Directive may affect Notes

As described under "Bank Recovery and Resolution Directive" above, the Regulatory Authorities have, pursuant to the BRRD framework, the power to apply "resolution" tools if the Issuer is failing or likely to fail, as an alternative to *liquidazione coatta amministrativa* (compulsory liquidation proceedings). Specifically, these tools are: (1) the sale of business assets or shares of the Issuer; (2) the establishment of a bridging organization; (3) the separation of the unimpaired assets of the Issuer from those which are deteriorated or impaired; and (4) a bail-in, through write-down/conversion into equity of regulatory capital instruments (including the Subordinated Notes) as well as other liabilities of the Issuer (including the Senior Notes) if the relevant conditions are satisfied and in accordance with the creditors' hierarchy provided under the relevant provisions of Italian law.

Furthermore, Article 33(a) of BRRD II introduces a new pre-resolution moratorium tool as a temporary measure in an early stage and new suspension powers, which the resolution authority can use within the resolution period. Any suspension of activities can, as stated above, result in the partial or complete suspension of the performance of agreements (including any payment or delivery obligation) entered into by the respective credit institution. The exercise of any such power or any suggestion of such exercise could materially adversely affect the rights of the holders of securities issued by the Issuer, the price or value of their investment in any such security and/or the ability of the credit institution to satisfy its obligations under any such security.

In particular, by its acquisition of a Note (whether on issuance or in the secondary market), each holder of the Notes acknowledges, accepts, agrees to be bound by and consents to the exercise of any Bail-in Power by a Regulatory Authority that may result in the cancellation of all, or a portion, of the principal amount of, or interest on, the Notes and/or the conversion of all, or a portion, of the principal amount of, or interest on, the Notes into equity or other securities or other obligations of the Issuer or another person, including by means of a variation to the terms of the Notes, in each case to give effect to the exercise by a Regulatory Authority of such Bail-in Power. Each holder of the Notes acknowledges, accepts and agrees that its rights as a holder of the Notes are subject to, and will be varied, if necessary, so as to give effect to, the exercise of any such power by any Regulatory Authority.

The exercise of any power under the BRRD or any suggestion of such exercise taking place could, therefore, have a material adverse effect on the rights of Noteholders, the price or value of their investment in any Notes and/or the ability of the Issuer to satisfy its obligations under any Notes.

For a description of the loss absorption requirement, see Condition 4 (*Status of Senior Notes*), Condition 5 (*Status of Senior Non-Preferred Notes*) and Condition 6 (*Status of Subordinated Notes*).

Meetings of Noteholders

Provisions for calling meetings of Noteholders are contained in the Provisions for Meetings of Noteholders and summarised in Condition 17(a) (*Meetings of Noteholders*). Noteholders' meetings may be called to consider matters affecting Noteholders' interests generally, including modifications to the terms and conditions relating to the Notes. These provisions permit defined majorities at those meetings to bind all Noteholders, including those who did not attend and vote at the relevant meeting or who voted against the relevant proposal. Modifications to the Notes that may be approved by a Noteholders' meeting include, without limitation, lowering the ranking of the Notes, reducing the amount of principal and interest payable on the Notes, changing the time and manner of payment, changing provisions relating to redemption, limiting remedies on the Notes and changing the amendment provisions. Any such modification may have an adverse impact on Noteholders' rights and on the market value of the Notes.

Jurisdiction of proceedings related to the Notes

Pursuant to Condition 22(d) (*Rights of the Noteholders to take proceedings outside Italy*) of the Terms and Conditions of the Notes, Noteholders may only take proceedings relating to any dispute arising out of, or in connection with, the Notes in a Permitted Jurisdiction as defined in the Terms and Conditions of the Notes.

Waiver of set-off

In each of Condition 4 (*Status of Senior Notes*), Condition 5 (*Status of Senior Non-Preferred Notes*) and Condition 6 (*Status of Subordinated Notes*), each holder of a Senior Note, Senior Non-Preferred Note or a Subordinated Note, as the case may be, will, unconditionally and irrevocably, waive any right of set-off, netting, counterclaim, abatement or other similar remedy which it might otherwise have under the laws of any jurisdiction in respect of such Senior Note, Senior Non-Preferred Note or Subordinated Note, as applicable. As a result, Noteholders may not be able to set-off any payment due by the Issuer.

Notes have limited Events of Default and remedies

The Events of Default in respect of Notes, being events upon which the holders of the Notes may declare the Notes to be immediately due and repayable, are limited to circumstances in which the Issuer becomes subject to winding-up or an analogous event as set out in Condition 14 (*Events of Default*). Accordingly, other than following the occurrence of an Event of Default, even if the Issuer fails to meet any of its obligations under the Notes, including the payment of any interest, or in case of the exercise of the Bail-in Power by the Regulatory Authority, the holders of the Notes will not have the right of acceleration of principal and the sole remedy available to Noteholders for recovery of amounts owing in respect of any of the Notes will be the institution of proceedings to enforce such payment. Notwithstanding the foregoing, the Issuer will not, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it. Furthermore, investors should consider that the terms and conditions of the Notes do not provide for negative pledge provisions.

In the case of Notes which are issued as Green Bonds, Social Bonds, Sustainability Bonds or Climate Bonds, please also see risk factor "*Notes issued, if any, as "Green Bonds", "Social Bonds", "Sustainability Bonds" or "Climate Bonds" may not be a suitable investment for all investors seeking exposure to green assets or social assets or sustainable assets*".

Notes issued, if any, as "Green Bonds", "Social Bonds", "Sustainability Bonds" or "Climate Bonds" may not be a suitable investment for all investors seeking exposure to green assets or social assets or sustainable assets

If so specified in the relevant Final Terms (or the Drawdown Prospectus as the case may be), the Issuer may issue Notes under the Programme described as "green bonds" ("**Green Bonds**"), "climate bonds" ("**Climate Bonds**"), "social bonds" ("**Social Bonds**"), "sustainability bonds" ("**Sustainability Bonds**") in accordance with the principles set out by the International Capital Market Association ("**ICMA**") (respectively, the Green Bond Principles ("**GBP**"), the Social Bond Principles ("**SBP**") and the Sustainability Bond Guidelines ("**SBG**")), or in accordance with the Climate Bonds Standard set out by the Climate Bonds Initiative.

In such a case, prospective investors should have regard to the information set out at "Reasons for the Offer, estimated net proceeds and total expenses" in the applicable Final Term (or the Drawdown

Prospectus as the case may be) and must determine for themselves the relevance of such information for the purpose of any investment in the Notes together with any other investigation such investors deem necessary, and must assess the suitability of that investment in light of their own circumstances. In particular, no assurance is given by the Issuer or the Dealers that the use of such proceeds for the funding of any green project or social project or sustainable project, as the case may be, will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates. Furthermore, it should be noted that there is currently no clearly established definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, respectively "green" or a "social" or a "sustainable" project or as to what precise attributes are required for a particular project to be defined as "green" or "social" or "sustainable" or such other equivalent label.

A basis for the determination of the definitions of "green" and "sustainable" has been established in the EU with the publication in the Official Journal of the EU on 22 June 2020 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 (the "**Sustainable Finance Taxonomy Regulation**") on the establishment of a framework to facilitate sustainable investment (the "**EU Sustainable Finance Taxonomy**") and the final social taxonomy report on transition activities for the EU Sustainable Finance Taxonomy, which was published by the Platform on Sustainable Finance on 28 February 2022. On 21 April 2021, the European Commission adopted the EU Taxonomy Climate Delegated Act, introducing a first set of technical screening criteria to be used to define which activities contribute to the following environmental objectives under the EU Sustainable Finance Taxonomy: climate change adaptation and climate change mitigation (the "**Taxonomy Climate Delegated Act**"). The Taxonomy Climate Delegated Act entered into force on 1 January 2022. On 10 March 2022, the EU Commission adopted the EU taxonomy Complementary Climate Delegated Act, covering certain nuclear and gas activities and it is applicable since January 2023. Furthermore, on 6 April 2022, the European Commission adopted the Regulatory Technical Standards (RTS) to Regulation (EU) 2019/2088 (the "**Sustainable Finance Disclosure Regulation**") and it is applicable since January 2023. Any further delegated act adopted by the EU Commission to implement the Sustainable Finance Taxonomy Regulation or the Sustainable Finance Disclosure Regulation may result in a regular review of the relating screening criteria, with changes to the scope of activities and other amendments to reflect technological progress.

In addition, on 18 June 2019, the Commission Technical Expert Group on sustainable finance published its final report on a future European standard for green bonds (the "**EU Green Bond Standard**"). In the context of the public consultation on the renewed sustainable finance strategy, the European Commission launched a targeted consultation on the establishment of an EU Green Bond Standard, that builds and consults on the work of the Commission Technical Expert Group, and has run between 12 June and 2 October 2020. On 19 October 2020, the European Commission published the Commission Work Programme 2021, in which expressed the intention to deliver a legislative proposal by the end of the second quarter of 2021. On 6 July 2021, the European Commission officially adopted a legislative proposal for a EU Green Bond Standard setting out four main requirements: (i) allocation of the funds raised by the green bond should be made in compliance with the EU Sustainable Finance Taxonomy; (ii) full transparency on the allocation of the green bond proceeds; (iii) monitoring and compliance activities to be carried out by an external reviewer; and (iv) registration of external reviewers with the ESMA and subjection to its supervision.

No assurance is or can be given to investors that any green or social or sustainable project, as the case may be, towards which proceeds of the Notes are to be applied will meet the investor expectations regarding such "green" or "social" or "sustainable" performance objectives (including those set out under the Sustainable Finance Taxonomy Regulation) or that any adverse social, green, sustainable and/or other impacts will not occur during the implementation of any green or social or sustainable project.

Furthermore, it should be noted that in connection with the issue of Green Bonds, Climate Bonds, Social Bonds and Sustainability Bonds, the Issuer may request a sustainability rating agency or sustainability consulting firm to issue a second-party opinion confirming that the relevant green and/or low carbon and/or social and/or sustainable project, as the case may be have been defined in accordance with the broad categorisation of eligibility for green, social and sustainable projects set out in the GBP, the SBP and the SBG and/or a second-party opinion regarding the suitability of the Notes as an investment in connection with certain environmental, sustainability or social projects (any such second-party opinion, a "**Second-party Opinion**"). A Second-party Opinion may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above and other factors that may affect the value of the Notes or the projects financed or refinanced toward an amount corresponding the net proceeds of the relevant issue of Green Bonds, Climate Bonds, Social Bonds or Sustainability Bonds. A Second-party Opinion would not constitute a recommendation to buy, sell or hold the relevant Green Bonds or Climate Bonds or Social Bonds or Sustainability Bonds and would only be current as of the date it is released. A withdrawal of the Second-party Opinion may affect the value of such Green Bonds, Climate Bonds, Social Bonds or Sustainability Bonds and/or may have consequences for certain investors with portfolio mandates to invest in green or social or sustainable assets.

While it is the intention of the Issuer to apply an amount equivalent to the proceeds of Social Bonds, Green Bonds, Climate Bonds or Sustainability Bonds in, or substantially in, the manner described in the applicable Final Terms, there can be no assurance that the green, low carbon, social or sustainable projects, as the case may be, will be capable of being implemented in or substantially in such manner and/or in accordance with any timing schedule and that accordingly the proceeds of the relevant Green Bonds, Climate Bonds, Social Bonds or Sustainability Bonds will be totally or partially disbursed for such projects. Nor can there be any assurance that such green, low carbon, social or sustainable projects will be completed within any specified period or at all or with the results or outcome as originally expected or anticipated by the Issuer. Any such event or failure by the Issuer will not (i) give rise to any claim of a Noteholder against the Issuer; (ii) constitute an Event of Default under the Notes; (iii) lead to an obligation of the Issuer to redeem such Notes or be a relevant factor for the Issuer in determining whether or not to exercise any optional redemption rights in respect of any Notes; (iv) affect the qualification of such Notes as *strumenti di debito chirografario di secondo livello*, Tier II Capital or as Eligible Liabilities instruments (as applicable); (v) have any impact on the status of the Notes as indicated in Condition 4 (*Status of Senior Notes*), Condition 5 (*Status of Senior Non-Preferred Notes*) or Condition 6 (*Status of Subordinated Notes*) (as the case may be) or (vi) prevent the applicability of the Bail-in Power.

For the avoidance of doubt, neither the proceeds of any Green Bonds, Climate Bonds, Social Bonds or Sustainability Bonds nor any amount equal to such proceeds will be segregated by the Issuer from its capital and other assets and payments of principal and interest (as the case may be) on the relevant Green Bonds, Climate Bonds, Social Bonds or Sustainability Bonds shall not depend on the performance of the relevant project nor have any preferred right against such assets.

Regardless of their "green", "social" or "sustainable" or such other equivalent label, Green Bonds, Climate Bonds, Social Bonds or Sustainability Bonds, as any other Notes, will be fully subject to the application of CRR eligibility criteria and BRRD requirements for Own Funds and Eligible Liabilities instruments (including the application of mandatory write-down or conversion to equity in the event a resolution procedure is initiated in respect of the Issuer and, with respect to Notes qualifying as Tier II Capital, even before the commencement of any such procedure if certain conditions are met), the Notes (or the proceeds thereof) will be available to absorb all losses (whether or not related to any "green", "social" or "sustainable" assets towards which proceeds of the relevant Notes may have been applied or, if relevant, reallocated) in accordance with their terms (if applicable) or the Applicable Banking Regulations and, as such, proceeds from Green Bonds, Climate Bonds, Social Bonds or Sustainability Bonds qualifying as Own Funds or Eligible Liabilities should cover all losses in the statement of financial position of the Issuer. The fact that such Notes are designated as Green Bonds, Climate Bonds, Social Bonds or Sustainability Bonds does not provide their holders with any priority compared to other Notes and such Notes will be subject to the same risks relating to their level of subordination.

Green Bonds, Climate Bonds, Social Bonds or Sustainability Bonds, as any other Bonds, will be fully subject to the application of CRR eligibility criteria and BRRD requirements for Own Funds and Eligible Liabilities instruments and, as such, proceeds from Green Bonds, Climate Bonds, Social Bonds or Sustainability Bonds qualifying as Own Funds or Eligible Liabilities should cover all losses in the statement of financial position of the Issuer regardless of their "green", "social" or "sustainable" or such other equivalent label.

Risk related to Notes issued in dematerialised form

Notes issued under the Programme will be issued in dematerialised form and evidenced at any time through book entries pursuant to the relevant provisions of the Financial Services Act and in accordance with the CONSOB and Bank of Italy Joined Regulation (as defined in the Terms and Conditions of the Notes). In no circumstance would physical documents of title be issued in respect of the Notes issued in dematerialised form. While the Notes are represented by book entries, investors will be able to trade their beneficial interests only through Monte Titoli and the authorised financial intermediaries holding accounts on behalf of their customers with Monte Titoli. As the Notes are held in dematerialised form with Monte Titoli, investors will have to rely on the procedures of Monte Titoli and the financial intermediaries authorised to hold accounts therewith, for transfer, payment and communication with the Issuer.

Notes subject to optional redemption by the Issuer

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period. The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds in comparable securities offering a yield as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in the light of other investments available at that time.

Redemption for tax or regulatory reasons

In the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Italy or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Conditions. In addition, if in the case of a particular Series of Subordinated Notes, the relevant Final Terms so specify, the Issuer may, at its option, redeem those Notes for regulatory reasons, as described in further detail in "- *Regulatory classification of the Subordinated Notes*" below. In such circumstances an investor may not be able to reinvest the redemption proceeds in comparable securities offering a yield as high as that of the relevant Notes.

Certain benchmark rates, including EURIBOR, may be discontinued or reformed in the future.

The Euro Interbank Offered Rate ("**EURIBOR**") and other indices which are deemed to be "benchmarks" are the subject of recent national, international and other regulatory guidance and proposals for reform. Some of these reforms are already effective while others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to such a "benchmark".

Regulation (EU) No. 2016/1011 (the "**EU Benchmarks Regulation**") applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the EU. The Regulation (EU) No. 2016/1011 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "**UK Benchmarks Regulation**") applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the UK. The EU Benchmarks Regulation or the UK Benchmarks Regulation, as applicable, could have a material impact on any Notes linked to EURIBOR or another benchmark rate or index, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the terms of the EU Benchmarks Regulation or the UK Benchmarks Regulation, and such changes could (amongst other things) have the effect of reducing or increasing the rate or level, or affecting the volatility of the published rate or level, of the benchmark. More broadly, any of the international, national or other proposals for reform, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or contribute to certain "benchmarks," trigger changes in the rules or methodologies used in certain "benchmarks" or lead to the discontinuance or unavailability of quotes of certain "benchmarks".

Workstreams are also underway in Europe to provide a fallback by reference to a euro risk-free rate (based on a euro overnight risk-free rate as adjusted by a methodology to create a term rate). On 11 May 2021 the euro risk-free rate working group published its recommendation on EURIBOR fallback trigger events and fallback rates. The recommended fallback rates are based on the new Euro short-term rate ("**€STR**").

It is not possible to predict with certainty whether, and to what extent, EURIBOR will continue to be supported going forwards. This may cause EURIBOR to perform differently than it has done in the past and may have other consequences which cannot be predicted. Such factors may have (without limitation) the following effects on certain benchmarks: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark and/or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to, referencing, or otherwise dependent (in whole or in part) upon, a benchmark.

The Terms and Conditions of the Notes provide that, if the Issuer determines that a Benchmark Event (as defined in the Conditions) has occurred (including, but not limited to, a Reference Rate (as defined in the Conditions) ceasing to be provided or upon a material change of a Reference Rate if applicable), such an event may be deemed to have occurred prior to the issue date of a Series of Notes and the Issuer shall use reasonable endeavours to appoint an Independent Adviser for the purposes of determining a Successor Rate or an Alternative Benchmark Rate (as further described in Condition 9(j) (*Benchmark replacement*) of the Terms and Conditions of the Notes) and, if applicable, an Adjustment Spread. Please refer to Condition 2 (*Interpretation*) of the Terms and Conditions of the Notes for the full definition of a Benchmark Event. If the Issuer is unable to appoint an Independent Adviser or if the

Independent Adviser and the Issuer cannot agree upon, or cannot select, the Successor Rate or Alternative Benchmark Rate, the Issuer may determine the replacement rate, provided that if the Issuer is unable or unwilling to determine the Successor Rate or Alternative Benchmark Rate, the further fallbacks described in the Terms and Conditions of the Notes shall apply. In certain circumstances, including but not limited to where the Issuer is unable or unwilling to determine an Alternative Benchmark Rate and Alternative Relevant Screen Page, where (if so specified in the relevant Final Terms) amendments to the terms of the Notes in accordance with Condition 9(j) (*Benchmark replacement*) of the Terms and Conditions of the Notes would cause the occurrence of a Regulatory Event or a MREL Disqualification Event (as applicable) or (in the case of Senior Preferred Notes or Senior Non-Preferred Notes only) would result in the Regulatory Authority treating an Interest Payment Date as the effective maturity date of the Notes, rather than the relevant Maturity Date, the ultimate fallback for the purposes of calculation of interest for a particular Interest Period may result in the rate of interest of the last preceding Interest Period being used. This may result in effective application of a fixed rate of interest for Notes initially designated to be Floating Rate Notes. In addition, due to the uncertainty concerning the availability of Successor Rates and Alternative Reference Rates and the involvement of an Independent Adviser, the relevant fallback provisions may not operate as intended at the relevant time.

The use of a Successor Rate or an Alternative Benchmark Rate may result in interest payments that are substantially lower than or that do not otherwise correlate over time with the payments that could have been made on the Notes if the relevant benchmark remained available in its current form. In addition, while any Adjustment Spread may be expected to be designed to eliminate or minimise any potential transfer of value between counterparties, the application of the Adjustment Spread to the Notes may not do so and may result in the Notes performing differently (which may include payment of a lower interest rate) than they would do if the Reference Rate were to continue to apply in its current form.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the EU Benchmarks Regulation or any of the international or national reforms and the possible application of the benchmark replacement provisions of the Notes, investigations and licensing issues in making any investment decision with respect to the Notes linked to or referencing such a "benchmark".

Fixed Rate Notes

A holder of Fixed Rate Notes is exposed to the risk that the price of those Notes falls as a result of changes in the current interest rate on the capital markets (the "**Market Interest Rate**"). While the nominal interest rate of Fixed Rate Notes is fixed during the life of such Notes or during a certain period of time, the Market Interest Rate typically changes on a daily basis. As the Market Interest Rate changes, the price of such Notes moves in the opposite direction. If the Market Interest Rate increases, the price of such Notes typically falls, until the yield of such Notes is approximately equal to the Market Interest Rate. Conversely, if the Market Interest Rate falls, the price of Fixed Rate Notes typically increases, until its yield is approximately equal to the Market Interest Rate. Investors should be aware that movements of the Market Interest Rate could adversely affect the market price of the Notes.

Floating Rate Notes

Notes with variable interest are subject to fluctuations in interest rate levels and can be volatile investments. In particular, there is no assurance that the amount of interest payable on such Notes will remain at any particular level (unless it is subject to a floor). Furthermore, if they are structured to include caps or floors, or a combination of both or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

The Terms and Conditions of the Notes provide for certain fallback arrangements in the event that a Benchmark Event occurs, including if a published benchmark, such as EURIBOR, and any page on which such benchmark may be published (or any successor service) becomes unavailable, or if the Issuer, the Calculation Agent, any Paying Agent or any other party responsible for the calculation of the Rate of Interest (as specified in the relevant Final Terms) are no longer permitted lawfully to calculate interest on any Notes by reference to such benchmark under the Benchmarks Regulation or otherwise. Such fallback arrangements include the possibility that the rate of interest could be set by reference to a successor rate or an alternative rate, with or without an adjustment spread and may include amendments to the Terms and Conditions of the Notes to ensure the proper operation of the successor or replacement benchmark, all as determined by an independent adviser. An adjustment spread, if applied could be positive or negative and would be applied with a view to reducing or eliminating, to the fullest extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to investors arising out of the replacement of a benchmark. However, it may not be possible to determine or apply an adjustment spread and even if an adjustment is applied, such adjustment spread may not be effective to reduce or eliminate economic prejudice to investors. If no adjustment spread can be determined, a successor rate or alternative rate may nonetheless be used to determine the rate of interest. The use of a successor rate or alternative rate (including with the application of an adjustment spread) will still result in any Notes linked to or referencing a benchmark performing differently (which may include payment of a lower rate of interest) than they would if the benchmark were to continue to apply in its current form.

If, following the occurrence of a Benchmark Event, the Issuer is unable to appoint an independent advisor or the Independent Adviser appointed by it fails to determine a successor rate or an alternative rate, or, if specified in the relevant Final Terms, if this provision would cause the occurrence of a Regulatory Event, the ultimate fallback for the purposes of calculation of the rate of interest for a particular Interest Period may result in the rate of interest for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page. In addition, due to the uncertainty concerning the availability of successor rates and alternative rates and the involvement of an independent adviser, there is a risk that the relevant fallback provisions may not operate as intended at the relevant time. Any such consequences could have a material adverse effect on the value of and return on any such Notes. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant reference rate could affect the ability of the Issuer to meet its obligations under the Floating Rate Notes or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Floating Rate Notes. Investors should consider these matters when making their investment decision with respect to the relevant Floating Rate Notes.

CMS linked interest Notes

The Issuer may issue Notes with interest determined by reference to a constant maturity swap rate (defined as the "CMS Rate" in "*Terms and Conditions of the Notes*"). Potential investors should be aware that:

(i) the market price of such Notes may be volatile;

(ii) they may receive no interest;

(iii) the CMS Rate may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

(iv) if they are structured to include caps or floors, or a combination of both or other similar related features, the effect of changes in the CMS Rate on interest payable is likely to be magnified; and

(v) the timing of changes in the CMS Rate may affect the actual yield to investors, even if the average level is consistent with their expectations.

Fixed to Floating Rate Notes or Floating to Fixed Rate Notes

Fixed to Floating Rate Notes may bear interest at a rate which, either at the Issuer's election or otherwise, is converted from a fixed rate to a floating rate or, in the case of Floating to Fixed Rate Notes, from a floating rate to a fixed rate. The switching of the interest rate is likely to affect the market value of those Notes, since it may result in a lower rate, especially where switching occurs at the Issuer's option. If switching from a fixed rate to a floating rate occurs, the spread on the Fixed to Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If switching from a floating rate to a fixed rate occurs, the fixed rate may be lower than then prevailing rates of the Issuer's other Fixed Rate Notes.

Fixed Rate Notes with resetting provisions

Fixed Rate Notes may contain provisions for the resetting of their interest rate. Such Notes will initially bear interest at a particular rate of interest until (but excluding) a Reset Date. On that date and each subsequent Reset Date (if any), the interest rate will be reset to the sum of the applicable Mid-Swap Rate and the relevant Margin as determined by the Calculation Agent on the relevant Reset Determination Date. The applicable rate of interest following any such resetting of interest could be less than the previous rate of interest and could affect the market value of an investment in those Notes.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Risk Relating to Senior Notes

Senior Notes could be subject to redemption following a MREL Disqualification Event

The Senior Notes are intended to be Eligible Liabilities available to meet the MREL Requirements. If Senior Note are not eligible for the purposes of the MREL Requirements (or if they initially are compliant with the MREL Requirements and subsequently become ineligible due to a change in the relevant final regulations implementing the MREL Requirements), then a MREL Disqualification Event will occur.

If so specified in the Final Terms, if at any time a MREL Disqualification Event occurs and is continuing in relation to any Series of Senior Notes, the Issuer may redeem all, but not some only, the Notes of such Series at the at the price set out in the applicable Final Terms together (if appropriate) with interest accrued to (but excluding) the date of redemption. Senior Notes may only be redeemed by the Issuer subject to compliance by the Issuer with any conditions or restrictions to such redemption or repurchase prescribed by the applicable laws and regulations at the relevant time. See "*Early redemption and purchase of the Senior Notes may be restricted*", below.

A MREL Disqualification Event shall be deemed to have occurred if, by reason of the introduction of, or a change in, the MREL Requirements, which was not reasonably foreseeable by the Issuer at the Issue Date of the Senior Notes, all or part of the aggregate outstanding nominal amount of such Series of Senior Notes are or will be excluded fully or partially from the liabilities that are eligible to meet the MREL Requirements.

If the Senior Notes are to be so redeemed, there can be no assurance that Noteholders will be able to reinvest the amounts received upon redemption at a rate that will provide the same rate of return as their investment in the Senior Notes. In addition, the occurrence of a MREL Disqualification Event could result in a decrease in the market price of the Notes.

Early redemption and purchase of the Senior Notes may be restricted

Any early redemption or purchase of Senior Notes is subject to compliance by the Issuer with any conditions or restrictions to such redemption or repurchase prescribed by the applicable laws and regulations at the relevant time, including any requirements applicable to such redemption or repurchase due to the qualification of such Senior Notes at such time as liabilities eligible to meet the MREL Requirements.

In addition, pursuant to the EU Banking Reform, the early redemption or purchase of Senior Notes is subject to the prior approval of the Regulatory Authority.

The EU Banking Reform states that the Regulatory Authority would approve an early redemption or purchase of the Senior Notes in accordance with Article 78a of the CRR in the event either of the following conditions is met:

(i) on or before such call, redemption, repayment or repurchase (as applicable), the Issuer replaces the Senior Notes with Own Funds Instruments or Eligible Liabilities Instruments of equal or higher quality at terms that are sustainable for its income capacity; or

(ii) the Issuer has demonstrated to the satisfaction of the Regulatory Authority that its Own Funds and Eligible Liabilities would, following such call, redemption, repayment or repurchase, exceed the requirements for Own Funds and Eligible Liabilities laid down in the Applicable Banking Regulations by a margin that the Regulatory Authority considers necessary; or

(iii) the Issuer has demonstrated to the satisfaction of the Regulatory Authority that the partial or full replacement of the Eligible Liabilities with Own Funds Instruments is necessary to ensure compliance with the Own Funds requirements laid down in the Applicable Banking Regulations for continuing authorisation,

subject in any event to any different conditions or requirements as may be provided from time to time under the Applicable Banking Regulations.

For the avoidance of doubt, any refusal of the Regulatory Authority to grant its permission in accordance with Article 78a of the CRR shall not constitute a default of the Issuer for any purposes.

Senior Notes may be subject to modification without the Noteholder consent

If (i) at any time a MREL Disqualification Event occurs and is continuing in relation to any Senior Notes and/or (ii) in order to ensure the effectiveness and enforceability of Condition 23 (*Contractual Recognition of Bail-in Power*) with respect to Senior Notes, then the Issuer may, subject to giving any notice required to be given to, and receiving consent from the Regulatory Authority (without any requirement for the consent or approval of the holders of the Senior Notes of that Series), at any time vary the terms of such Senior Notes, so that they remain or, as appropriate, become, Qualifying Senior Notes (as defined below), *provided that* such variation does not itself give rise to any right of the Issuer to redeem the varied securities.

Qualifying Senior Notes are securities issued by the Issuer that have terms not materially less favourable to the Noteholders, as reasonably determined by the Issuer, than the terms of the relevant Senior Notes. However, no assurance can be given as to whether any of these changes will negatively affect any particular Noteholder. However, in respect of the effectiveness and enforceability of Condition 23 (*Contractual Recognition of Bail-in Power*) with respect to Senior Notes, the Qualifying Senior Notes may have terms materially less favourable to a holder of the Senior Notes. Additionally, there may be material tax consequences for holders of Senior Notes as a result of such modification, and holders should consult their own tax advisors regarding such potential consequences.

Risks Relating to Senior Non-Preferred Notes

Italian law applicable to the Senior Non-Preferred Notes was recently enacted

On 1 January 2018, the 2018 Budget Law came into force introducing certain amendments to the Legislative Decree No. 385 of 1 September 1993 (the "**Consolidated Banking Law**"), including the possibility for banks and companies belonging to banking groups to issue senior non-preferred securities (the so-called "*strumenti di debito chirografario di secondo livello*").

In particular, the 2018 Budget Law set forth certain requirements for notes to qualify as senior non-preferred securities:

(i) the original maturity period is at least equal to twelve months;

(ii) are not derivative securities or linked to derivative securities, nor include any feature of such derivative securities;

(iii) the minimum denomination is at least €150,000 (or such other denomination provided by applicable law from time to time); and

(iv) the prospectus and the agreements regulating the issuance of senior non-preferred securities expressly provide that payment of interests and reimbursement of principal due in respect thereof are subject to the provisions set forth in of Article 91, section 1-*bis*, letter c-*bis* of the Consolidated Banking Law.

According to Article 91, section 1-*bis*, letter c-*bis* of the Consolidated Banking Law, in case an issuer of senior non-preferred securities is subject to compulsory liquidation (*liquidazione coatta amministrativa*), the relevant payment obligations in respect thereof will rank in right of payment (A) junior to any unsecured and unsubordinated obligations (including depositors) which rank, or are expressed to rank by their terms and/or by provision of law, senior to the senior non-preferred securities, including claims arising from the excluded liabilities within the meaning of Article 72a(2) of the CRR, (B) at least *pari passu* with all other present and future unsubordinated and non-preferred obligations which do not rank or are not expressed by their terms to rank junior or senior to such senior non-preferred securities and (C) in priority to any subordinated instruments and to any present or future claims ranking junior to such senior non-preferred securities and the claims of the shareholders.

Furthermore, Article 12-*bis* of the Consolidated Banking Law also provides that:

(i) the provisions set forth in Article 91, paragraph 1-*bis*, letter c-*bis* of the Consolidated Banking Law shall apply to such senior non-preferred securities only to the extent that the requirements described in paragraphs (i), (ii) and (iv) above have been complied with; any contractual provision which does not comply with any of the above requirements is invalid but such invalidity does not imply the invalidity of the entire agreement;

(ii) the senior non-preferred securities, once issued, may not be amended in a manner that the requirements described in paragraphs (i), (ii) and (iv) above are not complied with and that any different contractual provision is null and void; and

(iii) the Bank of Italy may enact further regulation providing for additional requirements in respect of the issuance and the characteristics of senior non-preferred securities.

Any prospective investor in the Senior Non-Preferred Notes should be aware that the provisions of Articles 12-*bis* and 91, section 1-*bis*, letter c-*bis* of the Consolidated Banking Law was recently enacted and that, as at the date of this Base Prospectus, no interpretation of the application of such provisions has been issued by any Italian court or governmental or regulatory authority and no regulation has been issued by the Bank of Italy in respect thereof. Consequently, it is possible that any regulation or official interpretation relating to the above will be issued in the future by the Bank of Italy or any different authority, the impact of which cannot be predicted by the Issuer as at the date of this Base Prospectus.

Senior Non-Preferred Notes are senior non-preferred obligations and are junior to certain obligations

In order to be eligible to meet the requirements and conditions of Articles 12-*bis* and 91, section 1-*bis*, letter c-*bis* of the Consolidated Banking Law and any relevant implementing regulation which may be enacted for such purposes by any Regulatory Authority and also qualify as Eligible Liabilities available to meet the MREL Requirements (as defined in the Conditions), Senior Non-Preferred Notes will rank junior to Senior Notes and any other unsecured and unsubordinated obligations of the Issuer which rank, or are expressed to rank by their terms, senior to the Senior Non-Preferred Notes. As a result, the default risk on the Senior Non-Preferred Notes will be higher than the risk associated with preferred senior debt (such as Senior Notes) and other senior liabilities (such as wholesale deposits).

Although Senior Non-Preferred Notes may pay a higher rate of interest than comparable Senior Notes which are not issued on a senior non-preferred basis, there is a greater risk that an investor in Senior Non-Preferred Notes will lose all or some of its investment should the Issuer become insolvent.

Senior Non-Preferred Notes are new types of instruments

Market participants, including credit rating agencies, are in the initial stages of evaluating the risks associated with senior non-preferred obligations. The credit ratings assigned to senior non-preferred securities such as the Senior Non-Preferred Notes may change as the rating agencies refine their approaches, and the value of such securities may be particularly volatile as the market becomes more familiar with them. It is possible that, over time, the credit ratings and value of senior non-preferred securities such as the Senior Non-Preferred Notes will be lower than those expected by investors at the time of issuance of the Senior Non-Preferred Notes, since it reflects the increased risk of loss in the event of the Issuer's insolvency. If so, investors may incur losses in respect of their investments in the Senior Non-Preferred Notes.

Senior Non-Preferred Notes are complex instruments that may not be suitable for certain investors

Senior Non-Preferred Notes are novel and complex financial instruments and may not be a suitable investment for certain investors. Each potential investor in the Senior Non-Preferred Notes should determine the suitability of such investment in light of its own circumstances and have sufficient financial resources and liquidity to bear the risks of an investment in the Senior Non-Preferred Notes, including the possibility that the entire principal amount of the Senior Non-Preferred Notes could be lost. A potential investor should not invest in the Senior Non-Preferred Notes unless it has the knowledge and expertise (either alone or with a financial advisor) to evaluate how the Senior Non-Preferred Notes will perform under changing conditions, the resulting effects on the market value of the Senior Non-Preferred Notes, and the impact of this investment on the potential investor's overall investment portfolio.

Senior Non-Preferred Notes could be subject to a MREL Disqualification Event redemption

The intention of the Issuer is for Senior Non-Preferred Notes to qualify on issue as "*strumenti di debito chirografario di secondo livello*" as defined under, and for the purposes of, Articles 12-*bis* and 91, section 1-*bis*, letter c-*bis* of the Consolidated Banking Law and any relevant implementing regulation which may be enacted for such purposes by any Regulatory Authority and also qualify as eligible liabilities available to meet the MREL Requirements (as defined in the Conditions). Current regulatory practice by the Bank of Italy (acting as lead regulator) does not require (or customarily provide) a confirmation prior to the issuance of the Senior Non-Preferred Notes that the Senior Non-Preferred Notes will comply with such provisions.

Although it is the Issuer's expectation that the Senior Non-Preferred Notes qualify as "*strumenti di debito chirografario di secondo livello*" as defined under, and for the purposes of, Articles 12-*bis* and 91, section 1-*bis*, letter c-*bis* of the Consolidated Banking Law and any relevant implementing regulation which may be enacted for such purposes by any Regulatory Authority and also qualify as Eligible Liabilities available to meet the MREL Requirements (as defined in the Conditions) there can be no representation that this is or will remain the case during the life of the Senior Non-Preferred Notes.

If so specified in the Final Terms, if at any time a MREL Disqualification Event occurs and is continuing in relation to any Series of Senior Non-Preferred Notes, the Issuer may redeem all, but not part, of the Notes of such Series at the price set out in the applicable Final Terms together (if appropriate) with interest accrued to (but excluding) the date of redemption. Senior Non-Preferred Notes may only be redeemed by the Issuer subject to the conditions or restrictions to such redemption or repurchase prescribed by the applicable laws and regulations at the relevant time. See "*Early redemption and purchase of the Senior Non-Preferred Notes may be restricted*", below.

A MREL Disqualification Event shall be deemed to have occurred if, by reason of the introduction of, or a change in, the MREL Requirements, which was not reasonably foreseeable by the Issuer at the Issue Date of the Senior Non-Preferred Notes, all or part of the aggregate outstanding nominal amount of such Series of Senior Non-Preferred Notes are or will be excluded fully or partially from the liabilities that are eligible to meet the MREL Requirements.

If the Senior Non-Preferred Notes are to be so redeemed, there can be no assurance that Noteholders will be able to reinvest the amounts received upon redemption at a rate that will provide the same rate of return as their investment in the Senior Non-Preferred Notes.

Early redemption and purchase of the Senior Non-Preferred Notes may be restricted

Any early redemption or purchase of Senior Non-Preferred Notes is subject to compliance by the Issuer with any conditions or restrictions to such redemption or repurchase prescribed by the applicable laws and regulations at the relevant time, including any requirements applicable to such redemption or repurchase due to the qualification of such Senior Non-Preferred Notes at such time as liabilities eligible to meet the MREL Requirements.

In addition, pursuant to the EU Banking Reform, the early redemption or purchase of Senior Non-Preferred Notes is subject to the prior approval of the Regulatory Authority.

The EU Banking Reform states that the Regulatory Authority would approve an early redemption of the Senior Non-Preferred Notes in accordance with Article 78a of the CRR in the event either of the following conditions is met:

(i) on or before such call, redemption, repayment or repurchase (as applicable), the Issuer replaces the Senior Non-Preferred Notes with Own Funds Instruments or Eligible Liabilities Instruments of equal or higher quality at terms that are sustainable for its income capacity; or

(ii) the Issuer has demonstrated to the satisfaction of the Regulatory Authority that its Own Funds and Eligible Liabilities would, following such call, redemption, repayment or repurchase, exceed the requirements for Own Funds and Eligible Liabilities laid down in the Applicable Banking Regulations by a margin that the Regulatory Authority considers necessary; or

(iii) the Issuer has demonstrated to the satisfaction of the Regulatory Authority that the partial or full replacement of the Eligible Liabilities with Own Funds Instruments is necessary to ensure compliance with the Own Funds requirements laid down in the Applicable Banking Regulations for continuing authorization,

subject in any event to any different conditions or requirements as may be provided from time to time under the Applicable Banking Regulations.

For the avoidance of doubt, any refusal of the Regulatory Authority to grant its permission in accordance with Article 78a of the CRR shall not constitute a default of the Issuer for any purposes.

Senior Non-Preferred Notes may be subject to modification without Noteholder consent

If (i) at any time a MREL Disqualification Event occurs and is continuing in relation to any Series of Senior Non-Preferred Notes, and/or (ii) in order to ensure the effectiveness and enforceability of Condition 23 (*Contractual Recognition of Bail-in Powers*), then the Issuer may, subject to giving any notice required to be given to, and receiving any consent required from, the Regulatory Authority, if so required, (without any requirement for the consent or approval of the Holders of the Senior Non-Preferred Notes of that Series), modify the terms of all (but not only some) of such Senior Non-Preferred Notes so that they remain or, as appropriate, become, Qualifying Senior Non-Preferred Notes, *provided that* such variation does not of itself give rise to any right of the Issuer to redeem the varied securities.

Qualifying Senior Non-Preferred Notes, as applicable, are securities issued by the Issuer have terms not materially less favourable to the Noteholders (as certified by the Issuer acting reasonably following consultation with an investment bank or financial adviser of international standing) than the terms of the Senior Non-Preferred Notes. However, in respect of the effectiveness and enforceability of Condition 23 (*Contractual Recognition of Bail-in Powers*) the Qualifying Senior Non-Preferred Notes may have terms materially less favourable to a holder of the Senior Non-Preferred Notes. No assurance can be given as to whether any of these changes will negatively affect any particular Noteholder. In addition, the tax and stamp duty consequences of holding such varied notes could be different for some categories of Noteholders from the tax and stamp duty consequences for them of holding the notes prior to such variation.

Risk Related to Subordinated Notes

Ranking of Subordinated Notes

If the Issuer is declared insolvent and a winding-up is initiated or it becomes subject to *Liquidazione Coatta Amministrativa*, as defined in the Consolidated Banking Act, it will be required to pay the holders of senior debt (including the holders of the Senior Notes and the Senior Non-Preferred Notes) and meet its obligations to all its other creditors (including unsecured creditors) in full before it can make any payments on the Subordinated Notes.

If this occurs, the Issuer may not have enough assets remaining after these payments to pay amounts due under the Subordinated Notes. Furthermore, repayment of principal on the Subordinated Notes, whether at the Maturity Date or otherwise, is subject to the approval of the Regulatory Authority in accordance with the Applicable Banking Regulations.

The Issuer's obligations under Subordinated Notes will be unsecured and subordinated and will rank junior in priority to the claims of unsubordinated, unsecured creditors (including depositors) of the Issuer and any other subordinated obligations which rank or are expressed to rank senior to the Subordinated Notes. As a result, although Subordinated Notes may pay a higher rate of interest than comparable notes which are not subordinated, there is a real risk that an investor in Subordinated Notes will lose all or some of its investment should the Issuer become insolvent. In addition, the market price of Subordinated Notes may be more volatile than the market prices of unsubordinated debt securities and may be more sensitive generally to adverse changes in the financial condition of the Issuer. For a full description of the provisions relating to Subordinated Notes, see Condition 6 (*Status of Subordinated Notes*).

Furthermore, the BRRD provides for a Member State as a last resort, after having assessed and applied the resolution tools (including the general bail-in tool) to the maximum extent practicable whilst maintaining financial stability, to be able to provide extraordinary public financial support through additional financial stabilisation tools.

These consist of the public equity support and temporary public ownership tools. Any such extraordinary financial support must be provided in accordance with the burden sharing requirements of the EU state aid framework and the BRRD. As an exemption from these principles, the BRRD allows for three kinds of extraordinary public support to be provided to a solvent institution without triggering resolution: 1) a State guarantee to back liquidity facilities provided by central banks according to the central banks' conditions; 2) a State guarantee of newly issued liabilities; or 3) an injection of Own Funds in the form of precautionary recapitalisation. In the case of precautionary recapitalisation EU state aid rules require that shareholders and junior bond holders (such as holders of the Subordinated Notes) contribute to the costs of restructuring.

As a result, Subordinated Notes may be subject to a partial or full write-down or conversion to Common Equity Tier 1 instruments of the Issuer or one of the Group's entities or another institution. Accordingly, trading behaviour may also be affected by the threat that non-viability loss absorption (or the general bail-in tool) may be applied to Subordinated Notes or the burden sharing requirements of the EU state aid framework and the BRRD may be applied and, as a result, Subordinated Notes are not necessarily expected to follow the trading behaviour associated with other types of securities. Noteholders should consider the risk that they may lose all of their investment, including the principal amount plus any accrued interest if the non-viability loss absorption (or the general bail-in tool) is applied to the Subordinated Notes or the burden sharing requirements of the EU state aid framework and the BRRD are applied or that such Subordinated Notes may be converted into ordinary shares which ordinary shares may be of little value at the time of conversion.

Italian Legislative Decree No. 193 of 8 November 2021 implementing Directive 879/2019/EU ("**BRRD II**") in Italy and published on 30 November 2021 in the Gazzetta Ufficiale has transposed in the Italian legislation Article 48(7) of BRRD II under Article 91, paragraph 1-*bis*), letter c-*ter*) of the Consolidated Banking Law. Such provisions state that (i) if an instrument is only partly recognised as an own funds item, the whole instrument shall be treated in insolvency as a claim resulting from an own funds item and shall rank lower than any claim that does not result from an own funds item and (ii) if an instrument is fully disqualified as own funds item, it would cease to be treated as a claim resulting from an own funds item in insolvency and, consequently, would improve their ranking with respect to any claim that results from an own funds item (such as the Subordinated Notes).

In light of this new provision, if the Subordinated Notes were to be disqualified in full as own funds items in the future: (a) their ranking would improve vis-à-vis the rest of the Subordinated Notes; and (b) in the event of a liquidation or bankruptcy of the Issuer, the Issuer would, *inter alia*, be required to pay the holders of the Notes and any other subordinated creditors of the Issuer, whose claims arise from liabilities that are no longer fully recognised as an Own Funds Instrument, in full before it can make any payments on any other Subordinated Notes which are still recognised (at least in part) as Own Funds Instruments.

Regulatory classification of the Subordinated Notes

If any Subordinated Notes are issued under the Programme, the Issuer's intention is that they should qualify on issue as Tier II Capital, for so long as this is permitted under Bank of Italy regulations. Current regulatory practice by the Bank of Italy does not require (or customarily provide for) a confirmation prior to the issuance of Subordinated Notes that the Notes will be treated as such. There can be no assurance that any such Subordinated Notes will continue to qualify as Tier II Capital during the life of the Notes. If there is a change in the regulatory classification of the Subordinated Notes that would be likely to result in their exclusion, in whole or, to the extent permitted by the Applicable Banking Regulations, in part, from Tier II Capital of the Issuer, the Issuer will (if so specified in the applicable Final Terms) have the right to redeem the Notes in accordance with Condition 11(c) (*Redemption for regulatory reasons*), subject to the prior approval of the Regulatory Authority. See also "- *Redemption for tax or regulatory reasons*" above.

If the Subordinated Notes are to be so redeemed, there can be no assurance that Noteholders will be able to reinvest the amounts received upon redemption at a rate that will provide the same rate of return as their investment in the Subordinated Notes. In addition, the occurrence of a change in the regulatory classification could result in a decrease in the market price of the Notes. See also "- *Notes subject to optional redemption by the Issuer*" above.

Subordinated Notes may be subject to loss absorption on any application of the general bail-in-tool or at the point of non-viability of the Issuer

Investors should be aware that, in addition to the general bail-in tool, the BRRD contemplates that Subordinated Notes may be subject to a write-down or conversion into common shares at the point of non-viability. The BRRD is intended to enable a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing. The implementation of the BRRD or the taking of any action under it could materially affect the value of any Subordinated Notes. Additionally, there may be material tax consequences for holders of Subordinated Notes as a result of such write-down or conversion, and holders should consult their own tax advisors regarding such potential consequences.

Early redemption and repurchase of the Subordinated Notes may be restricted

The rules under the CRR prescribe certain conditions for the granting of permission by the Regulatory Authority to a request by the Issuer to redeem or repurchase the Subordinated Notes. In this respect, the CRR provides that the Regulatory Authority shall grant permission to a redemption or repurchase of the Subordinated Notes in accordance with Article 78 of the CRR provided that either of the following conditions is met, as applicable to the Notes:

(i) on or before such call, redemption, repayment or repurchase (as applicable), the Issuer replaces the Notes with Own Funds Instruments of equal or higher quality at terms that are sustainable for its income capacity; or

(ii) the Issuer has demonstrated to the satisfaction of the Regulatory Authority that its Own Funds would, following such call, redemption, repayment or repurchase, exceed the capital requirements laid down in the Applicable Banking Regulations by a margin that the Regulatory Authority considers necessary.

In addition, the rules under the CRR provide that the Regulatory Authority may only permit the Issuer to redeem the Subordinated Notes before five years after the Issue Date of the Notes if and to the extent required under Article 78(4) of the CRR or the related implementing regulations, policies and guidelines:

(i) the conditions listed in paragraphs (i) or (ii) above are met; and

(ii) in the case of redemption pursuant to Condition 11(b) (*Redemption for tax reasons*) of the Terms and Conditions of the Notes, the Issuer has demonstrated to the satisfaction of the Regulatory Authority that the change in the applicable tax treatment of the Notes is material and was not reasonably foreseeable as of the Issue Date; or

(iii) in case of redemption pursuant to Condition 11(g) (*Regulatory conditions for call, redemption, repayment or, repurchase or modification of Subordinated Notes*) of the Terms and Conditions of the Notes, the Issuer has demonstrated to the satisfaction of the Regulatory Authority that the change in the regulatory classification of the Notes was not reasonably foreseeable as of the Issue Date; or

(iv) on or before the relevant call, redemption, repayment or repurchase, the Issuer replaces the Notes with Own Funds Instruments of equal or higher quality at terms that are sustainable for its income capacity and the Regulatory Authority has permitted that action on the basis of the determination that it would be beneficial from a prudential point of view and justified by exceptional circumstances; or

(v) the Subordinated Notes are repurchased for market making purposes,

subject in any event to any different conditions or requirements as may be provided from time to time under the Applicable Banking Regulations.

Subordinated Notes may be subject to modification without Noteholder consent

In order to ensure the effectiveness and enforceability of Condition 23 (*Contractual Recognition of Bail-in Powers*), then the Issuer may, subject to giving any notice required to, and receiving any consent required from, the Regulatory Authority, if so required, (without any requirement for the consent or approval of the Holders of the Subordinated Notes of that Series) modify the terms of all (but not only some) of such Subordinated Notes so that they become or remain Qualifying Subordinated Notes, *provided that* such variation does not itself give rise to any right of the Issuer to redeem the varied securities. The Regulatory Authority has discretion as to whether approving or not any variation of the Subordinated Notes. Any such variation which is considered by the Regulatory Authority to be material shall be treated by it as the issuance of a new instrument. Hence, the Subordinated Notes so modified must be eligible as Tier II Capital in accordance with the prevailing Applicable Banking Regulations which may include a requirement (save in certain prescribed circumstances) that the Subordinated Notes may not be redeemed or repurchased prior to five years after the effective date of such variation.

Qualifying Subordinated Notes are securities issued by the Issuer that, other than in respect of the effectiveness and enforceability of Condition 23 (*Contractual Recognition of Bail-in Powers*), have terms not materially less favourable to the Noteholders (as certified by the Issuer acting reasonably following consultation with an investment bank or financial adviser of international standing) than the terms of the Subordinated Notes. However, no assurance can be given as to whether any of these changes will negatively affect any particular Noteholder. In addition, the tax and stamp duty consequences of holding such varied notes could be different for some categories of Noteholders from the tax and stamp duty consequences for them of holding the notes prior to such variation.

3. Risks related to the market generally

The secondary market generally

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes. In addition, Notes issued under the Programme might not be listed on a stock exchange or regulated market and, in these circumstances, pricing information may be more difficult to obtain and the liquidity and market prices of such Notes may be adversely affected. In an illiquid market, an investor might not be able to sell his Notes at any time at fair market prices. The possibility to sell the Notes might additionally be restricted by country specific reasons. In addition, liquidity may be limited if the Issuer makes large allocations to a limited number of investors.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended).

Transfers of Notes may be restricted

The ability to transfer Notes may also be restricted by securities laws or regulations of certain countries or regulatory bodies. The Notes have not been, and will not be, registered under the Securities Act or any state securities laws in the U.S. or the securities laws of any other jurisdiction. Noteholders may not offer the Notes in the United States to or for the account or benefit of a U.S. person except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. It is the obligation of each Noteholder to ensure that offers and sales of Notes comply with all applicable securities laws. In addition, transfers to certain persons in certain other jurisdictions may be limited by law, or may result in the imposition of penalties or liability.

For a description of restrictions which may be applicable to transfers of the Notes, see "*Subscription and Sale*".

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

IMPORTANT INFORMATION RELATING TO NON-EXEMPT OFFERS OF SENIOR NOTES

Restrictions on Non-exempt Offers of Notes in the relevant Member States

Certain Tranches of Senior Notes with a denomination of less than €100,000 (or its equivalent in any other currency) may be offered in circumstances where there is no exemption from the obligation under the Prospectus Regulation to publish a prospectus. Any such offer is referred to as a "**Non-exempt Offer**". This Base Prospectus has been prepared on a basis that permits Non-exempt Offers of Senior Notes in Luxembourg and in the Republic of Italy, where the Issuer has passported this Base Prospectus to (each specified Member State a "**Non-exempt Offer Jurisdiction**" and together the "**Non-exempt Offer Jurisdictions**"). Any person making or intending to make a Non-exempt Offer of Senior Notes on the basis of this Base Prospectus must do so only with the Issuer's consent to the use of this Base Prospectus as provided under "*Consent given in accordance with Article 5(1) of the Prospectus Regulation (Retail Cascades)*" and provided that such person complies with the conditions specified in or attached to that consent.

Save as provided above, none of the Issuer and any Dealer have authorised, nor do they authorise, the making of any Non-exempt Offer of Senior Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

Consent given in accordance with Article 5(1) of the Prospectus Regulation (Retail Cascades)

In the context of a Non-exempt Offer of Senior Notes, the Issuer accepts responsibility in each of the Non-exempt Offer Jurisdictions for the content of this Base Prospectus under Article 6 of the Prospectus Regulation in relation to any person (an "**Investor**") who acquires any Senior Notes in a Non-exempt Offer made by a Dealer or an Authorised Offeror (as defined below), where that offer is made during the Offer Period specified in the applicable Final Terms and provided that the conditions attached to the giving of consent for the use of this Base Prospectus are complied with. The consent and conditions attached to it are set out under "*Consent*" and "*Common Conditions to Consent*" below.

None of the Issuer or any Dealer makes any representation as to the compliance by an Authorised Offeror with any applicable conduct of business rules or other applicable regulatory or securities law requirements in relation to any Non-exempt Offer and none of the Issuer or any Dealer has any responsibility or liability for the actions of that Authorised Offeror.

Save as provided below, the Issuer has not authorised the making of any Non-exempt Offer by any offeror and the Issuer has not consented to the use of this Base Prospectus by any other person in connection with any Non-exempt Offer of Senior Notes. Any Non-exempt Offer made without the consent of the Issuer is unauthorised and none of the Issuer and, for the avoidance of doubt, any Dealer accepts any responsibility or liability in relation to such offer for the actions of the persons making any such unauthorised offer.

If, in the context of a Non-exempt Offer, an Investor is offered Senior Notes by a person which is not an Authorised Offeror, the Investor should check with that person whether anyone is responsible for this Base Prospectus for the purposes of Article 6 of the Prospectus Regulation in the context of the relevant Non-exempt Offer and, if so, who that person is. If the Investor is in any doubt about whether it can rely on this Base Prospectus and/or who is responsible for its contents it should take legal advice.

The financial intermediaries referred to in paragraphs (a)(ii), (a)(iii) and (b) below are together the "**Authorised Offerors**" and each an "**Authorised Offeror**".

Consent

In connection with each Tranche of Senior Notes and subject to the conditions set out below under "*Common Conditions to Consent*":

(a) ***Specific Consent***: the Issuer consents to the use of this Base Prospectus (as supplemented as at the relevant time, if applicable) in connection with a Non-exempt Offer of such Senior Notes by:

(i) the relevant Dealer(s) or Manager(s) specified in the applicable Final Terms;

(ii) any financial intermediaries specified in the applicable Final Terms; and

(iii) any other financial intermediary appointed after the date of the applicable Final Terms and whose name is published on the Issuer's website (www.raiffeisen.it) and identified as an Authorised Offeror in respect of the relevant Non-exempt Offer; and

(b) ***General Consent***: if (and only if) Part B of the applicable Final Terms specifies "General Consent" as "Applicable", the Issuer hereby offers to grant its consent to the use of this Base Prospectus (as supplemented as at the relevant time, if applicable) in connection with a Non-exempt Offer of Senior Notes by any financial intermediary which satisfies the following conditions:

(i) it is authorised to make such offers under the Markets in Financial Instruments Directive (Directive 2014/65/EU); and

(ii) it accepts such offer by publishing on its website the following statement (with the information in square brackets duly completed) (the "**Acceptance Statement**"):

"We, [*insert legal name of financial intermediary*], refer to the offer of [*insert title of relevant Senior or Subordinated Notes*] (the "**Notes**") described in the Final Terms dated [*insert date*] (the "**Final Terms**") published by Cassa Centrale Raiffeisen dell'Alto Adige S.p.A. (the "**Issuer**"). In consideration of the Issuer offering to grant its consent to our use of the Base Prospectus (as defined in the Final Terms) in connection with the offer of the Notes in [*specify relevant State(s)*] during the Offer Period and subject to the other conditions to such consent, each as specified in the Base Prospectus, we hereby accept the offer by the Issuer in accordance with the Authorised Offeror Terms (as specified in the Base Prospectus), and confirm that we are using the Base Prospectus accordingly."

The consent referred to above relates to Non-exempt offers occurring within 12 months from the date of this Base Prospectus.

The "**Authorised Offeror Terms**" are that the relevant financial intermediary:

(A) will, and it agrees, represents, warrants and undertakes for the benefit of the Issuer and the relevant Dealer that it will, at all times in connection with the relevant Non-exempt Offer:

(I) act in accordance with, and be solely responsible for complying with, all applicable laws, rules, regulations and guidance of any applicable regulatory bodies (the "**Rules**") from time to time including, without limitation, and in each case, Rules relating to both the appropriateness or suitability of any investment in the Senior or Subordinated Notes by any person and disclosure to any potential Investor;

(II) comply with the restrictions set out under "*Subscription and Sale*" in this Base Prospectus which would apply if the relevant financial intermediary were a Dealer and consider the relevant manufacturer's target market assessment and distribution channels identified under the "MiFID II product governance" legend set out in the applicable Final Terms;

(III) ensure that any fee (and any other commissions or benefits of any kind) or rebate received or paid by the relevant financial intermediary in relation to the offer or sale of the Senior Notes does not violate the Rules and, to the extent required by the Rules, is fully and clearly disclosed to Investors or potential Investors;

(IV) hold all licences, consents, approvals and permissions required in connection with solicitation of interest in, or offers or sales of, the Senior Notes under the Rules;

(V) comply with applicable anti-money laundering, anti-bribery, anti-corruption and "know your client" Rules (including, without limitation, taking appropriate steps, in compliance with such Rules, to establish and document the identity of each potential Investor prior to initial investment in any Senior Notes by the Investor), and will not permit any application for Senior Notes in circumstances where the financial intermediary has any suspicions as to the source of the application moneys;

(VI) retain Investor identification records for at least the minimum period required under applicable Rules, and shall, if so requested and to the extent permitted by the rules, make such records available to the relevant Dealer and the Issuer or directly to the appropriate authorities with jurisdiction over the Issuer and/or the relevant Dealer in order to enable the Issuer and/or the relevant Dealer to comply with anti-money laundering, anti-bribery, anti-corruption and "know your client" Rules applying to the Issuer and the relevant Dealer, as the case may be;

(VII) immediately inform the Issuer and the relevant Dealer if at any time it becomes aware, or suspects, that it is or may be in violation of any Rules and take all appropriate steps to remedy such violation and comply with such Rules in all respects;

(VIII) ensure that no holder of Senior Notes or potential Investor in Senior Notes shall become an indirect or direct client of the Issuer or the relevant Dealer for the purposes of any applicable Rules from time to time, and to the extent that any client obligations are created by the relevant financial intermediary under any applicable Rules, then such financial intermediary shall perform any such obligations so arising;

(IX) co-operate with the Issuer and the relevant Dealer in providing relevant information (including, without limitation, documents and records maintained pursuant to paragraph (I) above) and such further assistance as is reasonably requested upon written request from the Issuer or the relevant Dealer in each case, as soon as is reasonably practicable and, in any event, within any time frame set by any such regulator or regulatory process. For this purpose, relevant information is information that is available to or can be acquired by the relevant financial intermediary:

   (i) in connection with any request or investigation by any regulator in relation to the Senior or Subordinated Notes, the Issuer or the relevant Dealer; and/or

   (ii) in connection with any complaints received by the Issuer and/or the relevant Dealer relating to the Issuer and/or the relevant Dealer or another Authorised Offeror including, without limitation, complaints as defined in the Rules; and/or

   (iii) which the Issuer or the relevant Dealer may reasonably require from time to time in relation to the Senior Notes and/or to allow the Issuer or the relevant Dealer fully to comply with its own legal, tax and regulatory requirements;

(X) during the primary distribution period of the Senior Notes: (i) only sell the Senior Notes at the Issue Price specified in the applicable Final Terms (unless otherwise agreed with the relevant Dealer); (ii) only sell the Senior Notes for settlement on the Issue Date specified in the applicable Final Terms; (iii) not appoint any sub-distributors (unless otherwise agreed with the relevant Dealer); (iv) not pay any fee or remuneration or commissions or benefits to any third parties in relation to the offering or sale of the Senior Notes (unless otherwise agreed with the relevant Dealer); and (v) comply with such other rules of conduct as may be reasonably required and specified by the relevant Dealer;

(XI) either (i) obtain from each potential Investor an executed application for the Senior Notes, or (ii) keep a record of all requests the relevant financial intermediary (x) makes for its discretionary management clients, (y) receives from its advisory clients and (z) receives from its execution-only clients, in each case prior to making any order for the Senior Notes on their behalf, and in each case maintain the same on its files for so long as is required by any applicable Rules;

(XII) ensure that it does not, directly or indirectly, cause the Issuer or the relevant Dealer to breach any Rule or subject the Issuer or the relevant Dealer to any requirement to obtain or make any filing, authorisation or consent in any jurisdiction;

(XIII) comply with the conditions to the consent referred to under "*Common Conditions to Consent*" below and any further requirements or other Authorised Offeror Terms relevant to the Non-exempt Offer as specified in the applicable Final Terms;

(XIV) make available to each potential Investor in the Senior Notes this Base Prospectus (as supplemented as at the relevant time, if applicable), the applicable Final Terms and any applicable information booklet provided by the Issuer for such purpose, and not convey or publish any information that is not contained in or entirely consistent with this Base Prospectus; and

(XV) if it conveys or publishes any communication (other than this Base Prospectus or any other materials provided to such financial intermediary by or on behalf of the Issuer for the purposes of the relevant Non-exempt Offer) in connection with the relevant Non-exempt Offer, it will ensure that such communication (A) is fair, clear and not misleading and complies with the Rules, (B) states that such financial intermediary has provided such communication independently of the Issuer, that such financial intermediary is solely responsible for such communication and that none of the Issuer and the relevant Dealer accepts any responsibility for such communication and (C) does not, without the prior written consent of the Issuer or the relevant Dealer (as applicable), use the legal or publicity names of the Issuer or the relevant Dealer or any other name, brand or logo registered by an entity within their respective groups or any material over which any such entity retains a proprietary interest, except to describe the Issuer as issuer of the relevant Senior Notes on the basis set out in this Base Prospectus;

(B) agrees and undertakes to each of the Issuer and the relevant Dealer that if it or any of its respective directors, officers, employees, agents, affiliates and controlling persons (each a "**Relevant Party**") incurs any losses, liabilities, costs, claims, charges, expenses, actions or demands (including reasonable costs of investigation and any defence raised thereto and counsel's fees and disbursements associated with any such investigation or defence) (a "**Loss**") arising out of or in relation to, or in connection with, any breach of any of the foregoing agreements, representations, warranties or undertakings by the relevant financial intermediary, including (without limitation) any unauthorised action by the relevant financial intermediary or failure by it to observe any of the above restrictions or requirements or the making by it of any unauthorised representation or the giving or use by it of any information which has not been authorised for such purposes by the Issuer or the relevant Dealer, the relevant financial intermediary shall pay to the Issuer, or the relevant Dealer, as the case may be, an amount equal to the Loss. Neither the Issuer nor any Dealer shall have any duty or obligation, whether as fiduciary or trustee for any Relevant Party or otherwise, to recover any such payment or to account to any other person for any amounts paid to it under this provision; and

(C) agrees and accepts that:

(I) the contract between the Issuer and the relevant financial intermediary formed upon acceptance by the relevant financial intermediary of the Issuer's offer to use the Base Prospectus with its consent in connection with the relevant Exempt Offer (the "**Authorised Offeror Contract**"), and any non-contractual obligations arising out of or in connection with the Authorised Offeror Contract, shall be governed by, and construed in accordance with Italian law;

(II) subject to paragraph (IV) below, the Italian courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Authorised Offeror Contract (including any dispute relating to any non-contractual obligations arising out of or in connection with the Authorised Offeror Contract) (a "**Dispute**") and the Issuer and the relevant financial intermediary submit to the exclusive jurisdiction of the Italian courts;

(III) for the purposes of paragraphs (II) above and (IV) below, the Issuer and the relevant financial intermediary waive any objection to the Italian courts, on the grounds that they are an inconvenient or inappropriate forum to settle any dispute; and

(IV) the Issuer and each relevant Dealer will, pursuant to the Contracts (Rights of Third Parties) Act 1999, be entitled to enforce those provisions of the Authorised Offeror Contract which are, or are expressed to be, for their benefit, including the agreements, representations, warranties, undertakings and indemnity given by the financial intermediary pursuant to the Authorised Offeror Terms.

Any Authorised Offeror falling within paragraph (b) above and who meets the other conditions stated in "*Common Conditions to Consent*" below and who wishes to use this Base Prospectus in connection with a Non-exempt Offer is required, for the duration of the relevant Offer Period, to publish on its website the Acceptance Statement.

Common Conditions to Consent

The conditions to the Issuer's consent are (in addition to the conditions described in paragraph (a) above if Part B of the applicable Final Terms specifies "*General Consent*" as "*Applicable*") that such consent:

I. is only valid during the Offer Period specified in the applicable Final Terms; and

II. only extends to the use of this Base Prospectus to make Non-exempt Offers of the relevant Tranche of Senior or Subordinated Notes in the Republic of Italy, Luxembourg, the Federal Republic of Germany and Austria as specified in the applicable Final Terms.

The consent referred to above only relates to Offer Periods (if any) occurring within 12 months from the date of this Base Prospectus.

Each Tranche of Senior or Subordinated Notes may only be offered to Investors as part of a Non-exempt Offer in each Relevant Member State specified in the applicable Final Terms, or otherwise in circumstances in which no obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

ARRANGEMENTS BETWEEN INVESTORS AND AUTHORISED OFFERORS

AN INVESTOR INTENDING TO ACQUIRE OR ACQUIRING ANY SENIOR NOTES IN A NON-EXEMPT OFFER FROM AN AUTHORISED OFFEROR WILL DO SO, AND OFFERS AND SALES OF SUCH SENIOR NOTES TO AN INVESTOR BY SUCH AUTHORISED OFFEROR WILL BE MADE, IN ACCORDANCE WITH ANY TERMS AND OTHER ARRANGEMENTS IN PLACE BETWEEN SUCH AUTHORISED OFFEROR AND SUCH INVESTOR INCLUDING AS TO PRICE, ALLOCATIONS AND SETTLEMENT ARRANGEMENTS. THE ISSUER WILL NOT BE A PARTY TO ANY SUCH ARRANGEMENTS WITH SUCH INVESTORS IN CONNECTION WITH THE NON-EXEMPT OFFER OR SALE OF THE SENIOR NOTES CONCERNED AND, ACCORDINGLY, THIS BASE PROSPECTUS AND ANY FINAL TERMS WILL NOT CONTAIN SUCH INFORMATION. THE INVESTOR MUST LOOK TO THE AUTHORISED OFFEROR AT THE TIME OF SUCH OFFER FOR THE PROVISION OF SUCH INFORMATION AND THE AUTHORISED OFFEROR WILL BE RESPONSIBLE FOR SUCH INFORMATION. THE RELEVANT INFORMATION WILL BE PROVIDED BY THE AUTHORISED OFFEROR AT THE TIME OF SUCH OFFER. NONE OF THE ISSUER AND, FOR THE AVOIDANCE OF DOUBT, ANY DEALER HAS ANY RESPONSIBILITY OR LIABILITY TO AN INVESTOR IN RESPECT OF THE INFORMATION DESCRIBED ABOVE.

INFORMATION INCORPORATED BY REFERENCE

The information set out below, which is contained in the following documents which have previously been published, shall be incorporated by reference in, and form part of, this Base Prospectus:

- the section entitled "Terms and Conditions" on pages 97-139 of the base prospectus relating to the Programme dated 7 July 2022 (the "**2022 Base Prospectus**").

  The 2022 Base Prospectus can be accessed at the following link:

  https://www.raiffeisen.it/raiffeisenkasse/Landesbank/2_UEber_uns/5_Produkte_und_Services/EMTN/EMTN_2022_Base-Prospectus.pdf

Any other information contained in any of the documents specified above that is not expressly included above is not incorporated by reference and is either not relevant to investors rather than information required by the relevant Annexes of the Delegated Regulation, or is covered elsewhere in this Base Prospectus. Unless specifically incorporated by reference into this Base Prospectus, information contained on any website to which this Base Prospectus refers does not form part of this Base Prospectus.

Any statement contained in this Base Prospectus or in any of the documents incorporated by reference in, and forming part of, this Base Prospectus shall be deemed to be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained in any document subsequently incorporated by reference by way of supplement prepared in accordance with Article 23 of the Prospectus Regulation modifies or supersedes such statement.

Copies of the documents specified above as containing information incorporated by reference in this Base Prospectus can be obtained from the website of the Issuer as specified above, from the registered office of the Issuer and from the Specified Office of the Paying Agent and will be available for viewing on the website of the Luxembourg Stock Exchange (www.luxse.com).

FINAL TERMS AND DRAWDOWN PROSPECTUSES

In this section the expression "necessary information" means, in relation to any Tranche of Notes, the information necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and of the rights attaching to the Notes. In relation to the different types of Notes which may be issued under the Programme the Issuer has included in this Base Prospectus all of the necessary information except for information relating to the Notes which is not known at the date of this Base Prospectus and which can only be determined at the time of an individual issue of a Tranche of Notes.

Any information relating to the Notes which is not included in this Base Prospectus and which is required in order to complete the necessary information in relation to a Tranche of Notes will be contained either in the relevant Final Terms or in a Drawdown Prospectus.

For a Tranche of Notes which is the subject of Final Terms, those Final Terms will, for the purposes of that Tranche only, supplement this Base Prospectus and must be read in conjunction with this Base Prospectus. The terms and conditions applicable to any particular Tranche of Notes which is the subject of Final Terms are the Conditions described in the relevant Final Terms as supplemented to the extent described in the relevant Final Terms.

The terms and conditions applicable to any particular Tranche of Notes which is the subject of a Drawdown Prospectus will be the Conditions as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Prospectus. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise.

FORMS OF THE NOTES

Each Tranche of Notes will be issued as Notes in dematerialised form.

The Notes will be held in dematerialised form on behalf of the beneficial owners, until redemption or cancellation thereof, by Monte Titoli, for the account of the relevant Monte Titoli Account Holders. The Notes have been accepted for clearance by Monte Titoli. The expression "**Monte Titoli Account Holders**" means any authorised financial intermediary institution entitled to hold accounts on behalf of their customers with Monte Titoli and includes any depository banks appointed by Euroclear Bank SA/NV as operator of the Euroclear and Clearstream, Luxembourg.

The Notes will at all times be held in book entry form and title to the Dematerialised Notes will be evidenced by book entries pursuant to the relevant provisions of the Financial Services Act and in accordance with the CONSOB and Bank of Italy Joined Regulation. The Noteholders may not require physical delivery of the Dematerialised Notes. However, the Noteholders may ask the relevant intermediaries for certification pursuant to Articles 83-*quinquies* and 83-*sexies* of the Financial Services Act.

Payment of principal and interest in respect of the Notes will be credited, according to the instructions of Monte Titoli, by the Paying Agent to the accounts of the Monte Titoli Account Holders (as defined above), whose accounts with Monte Titoli are credited with those Notes and thereafter credited by such Monte Titoli Account Holders to the accounts of the beneficial owners of those Notes or through Euroclear and Clearstream, Luxembourg to the accounts with Euroclear and Clearstream, Luxembourg of the beneficial owners of those Notes, in accordance with the rules and procedures of Monte Titoli, Euroclear or Clearstream, Luxembourg, as the case may be.

The Notes will be held in a manner which would allow Eurosystem eligibility.

TEFRA

The relevant Final Terms will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (the "**TEFRA C Rules**") or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (the "**TEFRA D Rules**") are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

TERMS AND CONDITIONS OF THE NOTES

The applicable Final Terms (or the relevant provisions thereof) will complete these Terms and Conditions. Reference should be made to "Applicable Final Terms" for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.

*Any reference in these Terms and Conditions to "Noteholders" or "holders" in relation to any Notes shall mean the beneficial owners of the Notes and evidenced in book entry form with Monte Titoli S.p.A., with registered office and principal place of business at Piazza degli Affari 6, 20123 Milan, Italy ("**Monte Titoli**") pursuant to the relevant provisions of Legislative Decree No. 58 of 24 February 1998, as amended (the "**Financial Services Act**") and in accordance with the CONSOB and Bank of Italy Joined Regulation dated 13 August 2018, as subsequently amended and supplemented from time to time (the "**CONSOB and Bank of Italy Joined Regulation**"). No physical document of title will be issued in respect of the Notes. Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**") are intermediaries authorised to operate through Monte Titoli.*

1. **Introduction**

(a) ***Programme***: Cassa Centrale Raiffeisen dell'Alto Adige S.p.A. (the "**Issuer**") has established a Euro Medium Term Note Programme (the "**Programme**") for the issuance of €750,000,000 in aggregate principal amount of notes. Under the Programme, the Issuer may issue notes governed by Italian law (the "**Notes**").

(b) ***Final Terms***: Notes issued under the Programme are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Notes. Each Tranche is the subject of final terms (the "**Final Terms**") and the terms and conditions applicable to any such Tranche are these terms and conditions governed by Italian law (the "**Conditions**"), together with the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.

(c) ***Paying Agent***: The Issuer will also act as initial paying agent for the Notes (the "**Paying Agent**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes). The Issuer is entitled to appoint a different Paying Agent for the Notes in accordance with Condition 16 (*Agents*).

(d) ***The Notes***: All subsequent references in these Conditions to "**Notes**" are to the Notes which are the subject of the relevant Final Terms. Copies of the relevant Final Terms are available during normal business hours at the Specified Office of the Paying Agent, the initial Specified Office of which is set out below.

2. **Interpretation**

(a) ***Definitions***: In these Conditions the following expressions have the following meanings:

"**2006 ISDA Definitions**" means, in relation to a Series of Notes, the 2006 ISDA Definitions (as supplemented, amended and updated as at the date of issue of the first Tranche of the Notes of such Series) as published by ISDA (copies of which may be obtained from ISDA at www.isda.org);

"**2021 ISDA Definitions**" means, in relation to a Series of Notes, the latest version of the 2021 ISDA Interest Rate Derivatives Definitions (including each Matrix (and any successor Matrix thereto), as defined in such 2021 ISDA Interest Rate Derivatives Definitions) as at the date of issue of the first Tranche of Notes of such Series, as published by ISDA on its website (www.isda.org);

"**Accrual Yield**" means the amount specified as such in the relevant Final Terms;

"**Additional Business Centre(s)**" means the city or cities specified as such in the relevant Final Terms;

"**Additional Financial Centre(s)**" means the city or cities specified as such in the relevant Final Terms;

"**Additional Tier 1 Capital**" has the meaning given to such term (or any other equivalent or successor term) in the Applicable Banking Regulations;

"**Applicable Banking Regulations**" means at any time the laws, regulations, requirements, guidelines and policies relating to capital adequacy then in effect in the Republic of Italy and applicable to the Issuer or the Group (as the case may be), including, without limitation the CRD V, the BRRD, the Capital Adequacy Regulations, the Prudential Regulations for Banks and any other regulations, requirements, guidelines and policies relating to capital adequacy then in effect of the Regulatory Authority or of the institutions of the European Union, including the European Commission and the European Banking Authority (whether or not such requirements, guidelines or policies have the force of law and whether or not they are applied generally or specifically to the Issuer or the Group, as the case may be);

"**Benchmarks Regulation**" means Regulation (EU) No. 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No. 596/2014;

"**BRRD**" means Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms, as amended, supplemented or replaced from time to time (including by Directive (EU) 2019/879);

"**Business Day**" means:

(i) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and

(ii) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

"**Business Day Convention**", in relation to any particular date, means one or more of the conventions set out below and specified as being applicable to that date in the relevant Final Terms and, if so specified, may mean different conventions in relation to different dates and, in this context, the following expressions shall have the following meanings:

(i) "**Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day;

(ii) "**Modified Following Business Day Convention**" or "**Modified Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;

(iii) "**Preceding Business Day Convention**" means that the relevant date shall be brought forward to the first preceding day that is a Business Day;

(iv) "**FRN Convention**", "**Floating Rate Convention**" or "**Eurodollar Convention**" means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred *provided, however, that*:

(A) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;

(B) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

(C) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and

(v) "**No Adjustment**" means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

"**Calculation Agent**" means the Paying Agent or such other Person specified in the relevant Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Final Terms;

"**Calculation Amount**" means the amount specified as such in the relevant Final Terms;

"**Capital Adequacy Regulations**" means the Delegated Regulation and any other rules or regulations of the Regulatory Authority or of the institutions of the European Union or which are otherwise applicable to the Issuer or the Group (as the case may be), whether introduced before or after the Issue Date, which prescribe (alone or in conjunction with any other rules or regulations) the requirements to be fulfilled by financial instruments for their inclusion in the Own Funds of the Issuer or the Group (as the case may be) to the extent required under the CRD V;

"**CET1 Instruments**" means at any time common equity tier 1 instruments as interpreted and applied in accordance with the Applicable Banking Regulations;

"**CMS Rate**" means the applicable swap rate for swap transactions in the Reference Currency with a maturity of the Designated Maturity, expressed as a percentage, which appears on the Relevant Screen Page as at the Relevant Time on the Interest Determination Date in question, all as determined by the Calculation Agent;

"**CMS Reference Banks**" means (i) where the Reference Currency is Euro, the principal office of five major banks in the Euro-zone inter-bank market, (ii) where the Reference Currency is Sterling, the principal London office of five major banks in the London inter-bank market, (iii) where the Reference Currency is United States dollars, the principal New York City office of five major banks in the New York City inter-bank market, or (iv) in the case of any other Reference Currency, the principal Relevant Financial Centre office of five major banks in the Relevant Financial Centre inter-bank market, in each case selected by the Calculation Agent;

"**Consolidated Banking Law**" means the *Testo Unico Bancario* or Legislative Decree No. 385 of 1 September 1993, as amended or supplemented from time to time, including any successor legislation;

"**CRD V**" means the CRD V Directive, the CRR and the CRD V Implementing Measures;

"**CRD V Directive**" means Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC, as amended, supplemented or replaced from time to time, including any successor regulations (including by Directive EU/2019/878);

"**CRD V Implementing Measures**" means any regulatory capital rules implementing the CRD V Directive or the CRR which may from time to time be introduced, including, but not limited to, delegated or implementing acts (regulatory technical standards) adopted by the European Commission, national laws and regulations, and regulations and guidelines issued by the Bank of Italy, the European Banking Authority or any other relevant authority, which are applicable to the Issuer (on a standalone basis) or, if applicable, the Issuer together with its consolidated Subsidiaries (on a consolidated basis) and which prescribe the requirements to be fulfilled by financial instruments for inclusion in the regulatory capital of the Issuer (on a standalone or, if applicable, consolidated basis);

"**CRR**" means Regulation No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, as amended and supplemented from time to time, including any successor regulations (including by Regulation EU/2019/876);

"**Day Count Fraction**" means, in respect of the calculation of an amount for any period of time (the "**Calculation Period**"), such day count fraction as may be specified in these Conditions or the relevant Final Terms and:

(i) if "**Actual/Actual (ICMA)**" is so specified, means:

(A) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(B) where the Calculation Period is longer than one Regular Period, the sum of:

(1) the actual number of days in such Calculation Period falling in the Regular Period in which it begins, divided by the product of (a) the actual number of days in such Regular Period and (b) the number of Regular Periods in any year; and

(2) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (b) the number of Regular Periods in any year;

(ii) if "**Actual/365**" or "**Actual/Actual (ISDA)**" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(iii) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;

(iv) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;

(v) if "**30/360, 360/360**" or "**Bond Basis**" is specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows

$$\text{Day Count Fraction} = \frac{[360\ x\ (Y_2 - Y_1)] + [30\ x\ (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30";

(vi) if "**30E/360**" or "**Eurobond Basis**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360\ x\ (Y_2 - Y_1)] + [30\ x\ (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30; and

(vii) if "**30E/360 (ISDA)**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \ x \ (Y_2 - Y_1)] + [30 \ x \ (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30,

provided, however, that in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

"**Delegated Regulation**" means Commission Delegated Regulation (EU) No. 241/2014 of 7 January 2014 supplementing the CRR with regard to the regulatory technical standards for Own Funds requirements for institutions, as amended, supplemented or replaced from time to time;

"**Designated Maturity**" means the period or periods specified as such in the relevant Final Terms;

"**Early Redemption Amount (Regulatory Event)**" means in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

"**Early Redemption Amount (Tax)**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

"**Early Redemption Date**" means, for the purposes of Conditions 11(b) (*Redemption for tax reasons*) or, if applicable, 11(c) (*Redemption for regulatory reasons*), the date fixed for redemption of the Notes following the giving of notice to Noteholders, which date shall fall:

(i) at any time if none of the interest due on such date is required to be calculated in accordance with the Floating Rate Note Provisions; or

(ii) on any Interest Payment Date if any of the interest due on the date of redemption is required to be calculated in accordance with the Floating Rate Note Provisions;

"**Early Termination Amount**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, these Conditions or the relevant Final Terms;

"**ECB**" means the European Central Bank;

"**Eligible Liabilities**" shall have the meaning given to such term in the CRR, as interpreted and applied in accordance with the Applicable Banking Regulations;

"**Eligible Liabilities Instruments**" means at any time eligible liabilities instruments as interpreted and applied in accordance with the Applicable Banking Regulations;

"**EU Banking Reform**" means the amendments to the CRD V Directive, the CRR and BRRD, which have been published on the European Official Gazette on 7 June 2019 and entered into force on 27 June 2019;

"**Extraordinary Resolution**" has the meaning given in the Provisions for Meetings of Noteholders;

"**Final Redemption Amount**" means, in respect of any Note, its principal amount;

"**Fixed Coupon Amount**" means the amount specified as such in the relevant Final Terms;

"Fixed Rate Interest Period(s)" means:

(i) in the case of Fixed to Floating Rate Notes:

(A) if the relevant Final Terms specify only one Switch Date, the period from, and including, the Interest Commencement Date to, but excluding, the Switch Date; or

(B) if the relevant Final Terms specify more than one Switch Date:

(1) the period from, and including, the Interest Commencement Date to, but excluding, the first Switch Date; and

(2) each subsequent period (if any) from, and including, the next but one Switch Date to, but excluding, the next following Switch Date or (where applicable) the Maturity Date; or

(ii) in the case of Floating to Fixed Rate Notes:

(A) if the relevant Final Terms specify only one Switch Date, the period from, and including, the Switch Date to, but excluding, the Maturity Date; or

(B) if the relevant Final Terms specify more than one Switch Date:

(1) the period from, and including, the first Switch Date to, but excluding, the second Switch Date; and

(2) following the second Switch Date, each subsequent period (if any) from, and including, the next but one Switch Date to, but excluding, the next following Switch Date or (where applicable) the Maturity Date;

"**Fixed Rate Note Provisions**" means the provisions contained in Condition 8 (*Fixed Rate Note Provisions*);

"**Floating Rate Interest Period(s)**" means:

(i) in the case of Floating to Fixed Rate Notes:

(A) if the relevant Final Terms specify only one Switch Date, the period from, and including, the Interest Commencement Date to, but excluding, the Switch Date; or

(B) if the relevant Final Terms specify more than one Switch Date:

(1) the period from, and including, the Interest Commencement Date to, but excluding, the first Switch Date; and

(2) each subsequent period (if any) from, and including, the next but one Switch Date to, but excluding, the next following Switch Date or (where applicable) the Maturity Date; or

(ii) in the case of Fixed to Floating Rate Notes:

(A) if the relevant Final Terms specify only one Switch Date, the period from, and including, the Switch Date to, but excluding, the Maturity Date; or

(B) if the relevant Final Terms specify more than one Switch Date:

(1) the period from, and including, the first Switch Date to, but excluding, the second Switch Date; and

(2) following the second Switch Date, each subsequent period (if any) from, and including, the next but one Switch Date to, but excluding, the next following Switch Date or (where applicable) the Maturity Date;

"**Floating Rate Note Provisions**" means the provisions contained in Condition 9 (*Floating Rate Note Provisions*);

"**Group**" means the Issuer and its Subsidiaries;

"**Interest Amount**" means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

"**Interest Commencement Date**" means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

"**Interest Determination Date**" means the date or dates specified as such in the relevant Final Terms;

"**Interest Payment Date**" means the date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

(i) as the same may be adjusted in accordance with the relevant Business Day Convention; or

(ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

"**Interest Period**" means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

"**ISDA**" means the International Swaps and Derivatives Association, Inc; (or any successor);

"**ISDA Definitions**" has the meaning given in the relevant Final Terms;

"**Issue Date**" means the date specified as such in the relevant Final Terms;

"**Loss Absorption Requirement**" means the power of the Regulatory Authority to impose that Own Funds Instruments or other liabilities of the Issuer or entities of the Group (as the case may be) are subject to full or partial write-down of the principal or conversion into CET1 Instruments or other instruments of ownership in accordance with Article 59 of the BRRD and the related national implementing provisions applicable to the Issuer or entities of the Group (as the case may be);

"**Margin**" means an amount expressed as a percentage, as specified in the relevant Final Terms;

"**Maturity Date**" means the date specified as such in the relevant Final Terms, provided that such date does not fall:

(i) in the case of Senior Non-Preferred Notes, less than twelve months after the Issue Date; and

(ii) in the case of Subordinated Notes, less than five years after the Issue Date;

"**Maximum Redemption Amount**" means, in respect of any Note, an amount specified as such in, or determined in accordance with, the relevant Final Terms;

"**Mid-Market Swap Rate**" means, for any Reset Period, the mean of the bid and offered rates for the fixed leg payable with a frequency equivalent to the frequency with which scheduled interest payments are payable on the Notes during the relevant Reset Period (calculated on the day count basis customary for fixed rate payments in the Specified Currency as determined by the Calculation Agent) of a fixed-for-floating interest rate swap transaction in the Specified Currency, which transaction (i) has a term equal to the relevant Reset Period and commencing on the relevant Reset Date, (ii) is in an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market and (iii) has a floating leg based on the Reference Rate for the Mid-Swap Maturity (calculated on the day count basis customary for floating rate payments in the Specified Currency as determined by the Calculation Agent);

"**Mid-Market Swap Rate Quotation**" means a quotation (expressed as a percentage rate per annum) for the relevant Mid-Market Swap Rate;

"**Mid-Swap Maturity**" has the meaning given in the relevant Final Terms;

"**Mid-Swap Rate**" means, in relation to a Reset Determination Date and subject to the fallback provisions contained in paragraphs (iii) to (v) of Condition 8(e) (*Resetting of interest*), either:

(i) if Single Mid-Swap Rate is specified in the applicable Final Terms, the rate for swaps in the Specified Currency:

(A) with a term equal to the relevant Reset Period; and

(B) commencing on the relevant Reset Date, which appears on the Relevant Screen Page; or

(ii) if Mean Mid-Swap Rate is specified in the applicable Final Terms, the arithmetic mean (expressed as a percentage rate per annum and rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the bid and offered swap rate quotations for swaps in the Specified Currency:

(A) with a term equal to the relevant Reset Period; and

(B) commencing on the relevant Reset Date,

which appear on the Relevant Screen Page,

in either case, as at approximately 11.00 a.m. in the Principal Financial Centre on such Reset Determination Date, all as determined by the Calculation Agent;

"**Minimum Redemption Amount**" means, in respect of any Note, an amount specified as such in, or determined in accordance with, the relevant Final Terms;

"**Monte Titoli Account Holders**" means any authorised financial intermediary institution entitled to hold accounts on behalf of their customers with Monte Titoli and includes any depositary banks appointed by Euroclear and Clearstream, Luxembourg;

"**MREL Disqualification Event**" means that, by reason of the introduction of or a change in MREL Requirements, which was not reasonably foreseeable by the Issuer at the Issue Date of the Notes, all or part of the aggregate outstanding nominal amount of such Series of Notes are or will be excluded fully or partially from Eligible Liabilities available to meet the MREL Requirements. For the avoidance of doubt: (a) the exclusion of a Series of Senior Notes or Senior Non-Preferred Notes from the MREL Requirements due to the remaining maturity of such Notes being less than any period prescribed thereunder, does not constitute a MREL Disqualification Event; (b) the exclusion of all or some of a Series of Senior Notes from the MREL Requirements due to there being insufficient headroom for such Senior Notes within a prescribed exception to the otherwise applicable general requirements for Eligible Liabilities does not constitute a MREL Disqualification Event; and (c) the exclusion of all or some of a Series of Senior Preferred Notes or Senior Non-Preferred Notes from the MREL Requirements as a result of such Notes being purchased by or on behalf of the Issuer or as a result of a purchase which is funded directly or indirectly by the Issuer, does not constitute a MREL Disqualification Event;

"**MREL Requirements**" means the laws, regulations, requirements, guidelines, rules, standards and policies relating to minimum requirements for Own Funds and Eligible Liabilities and/or loss-absorbing capacity instruments applicable to the Issuer and/or the Group, from time to time, including, without limitation to the generality of the foregoing, any delegated or implementing acts (such as regulatory technical standards) adopted by the European Commission and any regulations, requirements, guidelines, rules, standards and policies relating to minimum requirements for Own Funds and Eligible Liabilities and/or loss absorbing capacity instruments adopted by the Republic of Italy or the Regulatory Authority from time to time (whether or not such requirements, guidelines or policies are applied generally or specifically to the Issuer and/or the Group), as any of the preceding laws, regulations, requirements, guidelines, rules, standards, policies or interpretations may be amended, supplemented, superseded or replaced from time to time;

"**Optional Redemption Amount (Call)**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

"**Optional Redemption Amount (Put)**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

"**Optional Redemption Date (Call)**" means the date or dates specified as such in the relevant Final Terms, provided that such date does not fall:

(i) in the case of Senior Non-Preferred Notes, less than twelve months after the Issue Date; and

(ii) in the case of Subordinated Notes, less than five years after the Issue Date;

"**Optional Redemption Date (Put)**" means the date or dates specified as such in the relevant Final Terms;

"**Own Funds**" shall have the meaning given to such term in the CRR, as interpreted and applied in accordance with the Applicable Banking Regulations;

"**Own Funds Instruments**" means at any time own funds instruments as interpreted and applied in accordance with the Applicable Banking Regulations;

"**Participating Member State**" means a Member State of the European Union which adopts the euro as its lawful currency in accordance with the Treaty;

"Payment Business Day" means:

(i) if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or

(ii) if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

"**Permitted Jurisdiction**" means any jurisdiction which, at the relevant time, is any of the following:

(i) a Member State of the European Union; or

(ii) the relevant jurisdiction of incorporation of the Issuer.

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"**Principal Financial Centre**" means, in relation to any currency, the principal financial centre for that currency *provided, however, that*:

(i) in relation to euro, it means the principal financial centre of such Member State of the European Communities or the United Kingdom as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and

(ii) in relation to Australian dollars, it means either Sydney or Melbourne and, in relation to New Zealand dollars, it means either Wellington or Auckland, in each case as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

"**Provisions for Meetings of Noteholders**" means the provisions for meetings of noteholders attached to these Conditions as Appendix 1 (*Provisions for Meetings of Noteholders*);

"**Prudential Regulations for Banks**" means the Bank of Italy's *Disposizioni di Vigilanza per le Banche*, as set out in Bank of Italy Circular No. 285 of 17 December 2013, as amended or supplemented from time to time, including any successor regulations;

"**Put Option Notice**" means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

"**Rate of Interest**" means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Final Terms, including (if applicable) any Reset Rate of Interest;

"**Redemption Amount**" means, as appropriate:

(i) the Final Redemption Amount; or

(ii) the Early Redemption Amount (Tax), the Early Redemption Amount (Regulatory Event), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Final Terms;

"**Reference Banks**" means the financial institutions specified as such in the relevant Final Terms or, if not so specified:

(i) for the purposes of Condition 8(e) (*Resetting of interest*), four major banks in the swap, money, securities or other market most closely connected with the relevant Mid-Swap Rate, as selected by the Issuer on the advice of an investment bank of international repute;

(ii) for the purposes of Condition 9(c) (*Screen Rate Determination*), four major banks selected by the Issuer in the market that is most closely connected with the Reference Rate;

"**Reference Currency**" means the currency specified as such in the relevant Final Terms;

"**Reference Price**" means the amount specified as such in the relevant Final Terms;

"**Reference Rate**" means the rate specified as such in the relevant Final Terms;

"**Regular Period**" means:

(i) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;

(ii) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls; and

(iii) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any

Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

"**Regulatory Authority**" means the Bank of Italy or other governmental authority in Italy (or other country in which the Issuer is then domiciled having supervisory powers over the Issuer) or any European Union or other supranational authority (including the European Central Bank) having primary responsibility for prudential oversight and supervision of the Issuer from time to time;

"**Regulatory Event**" is deemed to have occurred for the purposes of Condition 11(c) (*Redemption for regulatory reasons*) if:

(i) there is a change in Applicable Banking Regulations or any change in their official application or interpretation, in each case occurring after the date of issue of the first Tranche of the relevant Series of Notes, as a result of which the relevant Subordinated Notes cease to qualify either in whole or in part as Tier II Capital of the Issuer (save where the exclusion from Tier II Capital of the Issuer is solely (A) a result of any applicable limitation on the amount of such capital, or (B) in accordance with any requirement that recognition of such Series of Subordinated Notes as part of the Tier II Capital of the Issuer be amortised in the five years prior to maturity of such Notes, in either (A) or (B) in accordance with Applicable Banking Regulations in force as at the date on which agreement is reached to issue the first Tranche of such Series of Subordinated Notes); and

(ii) where the Early Redemption Date falls before five years from the date of issue of the Notes, both of the following conditions are met:

(A) the Regulatory Authority considers such a change to be sufficiently certain; and

(B) the Issuer demonstrates to the satisfaction of the Regulatory Authority that the change in regulatory classification of the Notes was not reasonably foreseeable as at the Issue Date;

"**Relevant Date**" means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Paying Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

"**Relevant Financial Centre**" means the city or cities or other geographical area or areas specified as such in the relevant Final Terms;

"**Relevant Jurisdiction**" means the Republic of Italy or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and interest on the Notes;

"**Relevant Screen Page**" means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

"**Relevant Swap Rate**" means:

(i) where the Reference Currency is Euro, the mid-market annual swap rate determined on the basis of the arithmetic mean of the bid and offered rates for the annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating euro interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated on an Actual/360 day count basis, is equivalent to EUR-EURIBOR-Reuters (as defined in the ISDA Definitions) with a designated maturity determined by the Calculation Agent by reference to standard market practice and/or the ISDA Definitions; and

(ii) where the Reference Currency is any other currency or if the Final Terms specify otherwise, the mid-market swap rate as determined in accordance with the applicable Final Terms;

"**Relevant Time**" means the time specified as such in the relevant Final Terms;

"**Representative Amount**" means an amount that is representative for a single transaction in the relevant market at the relevant time;

"**Reserved Matter**" has the meaning given to it in the Provisions for Meetings of Noteholders and includes any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of any payment under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

"**Reset Date**" means the date or dates specified as such in the relevant Final Terms;

"**Reset Determination Date**" means, in respect of each Reset Period, the second Business Day prior to the Reset Date;

"**Reset Period**" means each period from (and including) a Reset Date to (but excluding) the next following Reset Date to (but excluding) or, if no such Reset Date is specified in the relevant Final Terms, the Maturity Date;

"**Reset Rate of Interest**" means, in respect of any Reset Period, the rate of interest determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Mid-Swap Rate and the relevant Margin;

"**Security Interest**" means any mortgage, charge, pledge, lien or other security interest including, without limitation, any other agreement or arrangement having the effect of conferring security;

"**Senior Non-Preferred Notes**" means Notes specified in the applicable Final Terms as Senior Non-Preferred obligations and intended to qualify as *strumenti di debito chirografario di secondo livello* of the Issuer, as defined under, and for the purposes of, Article 12-*bis* and Article 91, section 1-*bis*, letter c-*bis* of the Consolidated Banking Law, as amended from time to time, and any relevant implementing regulation which may be enacted for such purposes by any Regulatory Authority;

"**Senior Note**" means a Note specified as such in the relevant Final Terms (and, for the avoidance of doubt, excludes Senior Non-Preferred Notes);

"**Specified Currency**" means the currency specified as such in the relevant Final Terms;

"**Specified Denomination(s)**" means an amount of the Specified Currency specified as such in the relevant Final Terms;

"**Specified Office**" means Via Laurin 1, 39100, Bolzano (BZ), Italy or such other address of the relevant Paying Agent notified by the Issuer to the Noteholders in accordance with Condition 19 (*Notices*);

"**Specified Period**" means the period specified as such in the relevant Final Terms;

"**SRM Regulation**" means the Single Resolution Mechanism established pursuant to Regulation (EU) No. 806/2014 of the European Parliament and of the Council, as amended, supplemented or replaced from time to time (including by Regulation EU/2019/877);

"**SSM Regulation**" means Council Regulation (EU) No. 1024/2013 of 15 October 2013 conferring specific tasks on the ECB concerning policies relating to the prudential supervision of credit institutions, as amended, supplemented or replaced from time to time;

"**Subordinated Notes**" means Notes specified as such in the applicable Final Terms, being Notes intended to qualify as Tier II Capital for regulatory capital purposes, in accordance with Part II, Chapter 1 of the Prudential Regulations for Banks and Article 63 of the CRR;

"**Subsidiary**" means, in relation to any Person (the "**first Person**") at any particular time, any other Person which is controlled by the first Person in accordance with Article 2359, first paragraph, Nos. 1), 2) and 3) and second paragraph of the Italian Civil Code;

"**Switch Date(s)**" means:

(i) where the Switch Option is not applicable, the date or dates that are specified as such in the relevant Final Terms; and

(ii) where the Switch Option is applicable, the date or dates that are specified as such in the relevant Final Terms and in respect of which the Issuer has given notice of exercise of the relevant Switch Option to Noteholders at a date on which it was entitled to do so pursuant to Condition 7(e) (*Switching at the option of the Issuer*) and in accordance with Condition 19 (*Notices*);

"**Switch Option**" means, if specified as applicable in the relevant Final Terms, the option of the Issuer, at its sole discretion, on one or more occasions and subject to the provisions of Condition 7(e) (*Switching at the option of the Issuer*) to change the interest provisions applicable to the Notes from the Fixed Rate Note Provisions to the Floating Rate Note Provisions or *vice versa*;

"**Switch Option Exercise Period(s)**" means the period or periods specified as such in the relevant Final Terms, which period shall in any event end not less than 15 days prior to the relevant Switch Date;

"**T2**" means the real time gross settlement system operated by the Eurosystem, or any successor system;

"**TARGET Settlement Day**" means any day on which T2 is open for the settlement of payments in Euro;

"**Tier II Capital**" has the meaning given to it by (i) the Regulatory Authority from time to time or (ii) any regulation, directive or other binding rules, standards or decisions adopted by the institutions of the European Union and in force from time to time, as applicable;

"**Treaty**" means the Treaty on the Functioning of the European Union, as amended; and

"**Zero Coupon Note**" means a Note specified as such in the relevant Final Terms,

(b) ***Interpretation***: In these Conditions:

(i) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 13 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;

(ii) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 13 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;

(iii) a Note shall be considered to be "**outstanding**" unless one or more of the following events has occurred:

(A) *Redeemed or purchased: it has been redeemed in full, or purchased under Condition 11(k) (Purchase), and in either case has been cancelled in accordance with Condition 11(l) (Cancellation);*

(B) *Due date: the due date for its redemption in full has occurred and all sums due in respect of such Note (including all accrued interest) have been received by the Paying Agent and remain available for payment against presentation and surrender of such Note;*

(C) *Void: all claims for principal and interest in respect of such Note have become void under Condition 15 (Prescription); or*

(D) *Meetings: for the purposes of the Provisions for Meetings of Noteholders only, it is held by, or by any person for the benefit of, the Issuer or any of its Subsidiaries;*

(iv) if an expression is stated in Condition 2(a) (*Definitions*) to be specified or indicated in the relevant Final Terms, but the relevant Final Terms gives no such indication or specification or specifies that such expression is "**not applicable**" then such expression is not applicable to the Notes; and

3. **Form, Denomination and Title**

The Notes will be in held in dematerialised form in the Specified Denomination(s) on behalf of the beneficial owners by Monte Titoli for the account of the relevant Monte Titoli Account Holders as of their respective date of issue. Monte Titoli shall act as depository for Euroclear and Clearstream, Luxembourg.

The Notes will at all times be evidenced by, and title to the Notes will be established or transferred by way of, book-entries pursuant to the relevant provisions of the Financial Services Act and in accordance with the CONSOB and Bank of Italy Jointed Regulation. No physical document of title will be issued in respect of the Notes.

4. **Status of Senior Notes**

(a) ***Application***: This Condition 4 (*Status of Senior Notes*) is applicable only to Senior Notes.

(b) ***Status of the Senior Notes***: The Senior Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank and will rank *pari passu*, without any preference among themselves. The payment obligations of the Issuer under the Senior Notes shall, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application, at all times rank at least equally with its other present and future unsecured and unsubordinated obligations other than obligations ranking junior to the Senior Notes from time to time (including Senior Non-Preferred Notes and any further obligations permitted by law to rank junior to the Senior Notes following the Issue Date) if any.

(c) ***Waiver***: Each holder of a Senior Note is deemed unconditionally and irrevocably to have waived any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have under the laws of any jurisdiction in respect of such Senior Note.

(d) ***No Negative Pledge***: There is no negative pledge in respect of the Senior Notes.

5. **Status of Senior Non-Preferred Notes**

(a) ***Application***: This Condition 5 (*Status of Senior Non-Preferred Notes*) is applicable only to Senior Non-Preferred Notes.

(b) ***Status of the Senior Non-Preferred Notes***: The obligations of the Issuer under the Senior Non-Preferred Notes (notes intending to qualify as *strumenti di debito chirografario di secondo livello* of the Issuer, as defined under, and for the purposes of, Article 12-*bis* and Article 91, section 1-*bis*, letter c-*bis* of the Consolidated Banking Law, and any relevant implementing regulation which may be enacted for such purposes by any Regulatory Authority) in respect of principal, interest and other amounts constitute direct, unconditional, unsubordinated, unsecured and non-preferred obligations of the Issuer, ranking (i) junior to Senior Notes and any other unsecured and non-preferred obligations of the Issuer which rank, or are expressed to rank by their terms and/or by provision of law, senior to the Senior Non-Preferred Notes, including claims arising from the excluded liabilities within the meaning of Article 72a(2) of the CRR, and (ii) at least *pari passu* without any preferences among themselves, and with all other present or future unsubordinated and non-preferred obligations of the Issuer which do not rank or are not expressed by their terms to rank junior or senior to the relevant Senior Non-Preferred Notes and (iii) in priority to any subordinated instruments, to any present or future claims ranking junior to such Series of Senior Non-Preferred Notes and to the claims of shareholders of the Issuer, pursuant to Article 91, section 1-*bis*, letter c-*bis* of the Consolidated Banking Law, as amended from time to time, and any relevant implementing regulation which may be enacted for such purposes by any Regulatory Authority.

(c) ***Waiver***: Each holder of a Senior Non-Preferred Note is deemed unconditionally and irrevocably to have waived any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have under the laws of any jurisdiction in respect of such Senior Non-Preferred Note.

(d) ***No Negative Pledge***: There is no negative pledge in respect of the Senior Non-Preferred Notes.

6. **Status of Subordinated Notes**

(a) ***Application***: This Condition 6 (*Status of Subordinated Notes*) is applicable only to Subordinated Notes.

(b) ***Status of Subordinated Notes***: The Subordinated Notes constitute direct and unsecured obligations of the Issuer subordinated as described below. Save as provided in Condition 6(c) (*Status of disqualified Subordinated Notes*), the Subordinated Notes rank *pari passu* without any preference among themselves. In relation to each Series of Subordinated Notes, all Subordinated Notes of such Series will be treated equally and all amounts paid by the Issuer in respect of principal and interest thereon will be paid *pro rata* on all Subordinated Notes of such Series.

In the event of the winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa* of the Issuer), for so long as the relevant Series of Subordinated Notes qualify, in whole or in part, as Tier II Capital, the payment obligations of the Issuer under each Series of Subordinated Notes will rank in right of payment (A) after unsubordinated unsecured creditors (including depositors and any holder of Senior Notes, Senior Non-Preferred Notes) of the Issuer and all other creditors of the Issuer holding instruments that are less subordinated than the Subordinated Notes (including any subordinated instruments that have ceased to qualify, in their entirety, as own fund items (*elementi di fondi propri*)) but (B) at least *pari passu* with all other subordinated obligations of the Issuer which do not rank or are not expressed by their terms to rank junior or senior to such Series of Subordinated Notes, including holders of present or future outstanding Tier II Capital of the Issuer and (C) in priority to the claims of shareholders of the Issuer and to the claims of creditors of the Issuer holding instruments that are more subordinated than the Subordinated Notes.

(c) ***Status of disqualified Subordinated Notes***: If the relevant Series of Subordinated Notes do not qualify (or cease to qualify) in their entirety as own funds items (*elementi di fondi propri*), such Subordinated Notes will rank *pari passu* without any preference among the Notes and: (A) at least *pari passu* with the Issuer's obligations in respect of any other subordinated instruments that have ceased to qualify, in their entirety, as own funds items (*elementi di fondi propri*) and with all other subordinated indebtedness of the Issuer that have such ranking; (B) in priority to payments to holders of present or future outstanding indebtedness which qualifies, in whole or in part, as own funds items (*elementi di fondi propri*), including Additional Tier 1 Capital and Tier II Capital; and (C) junior in right of payment to the payment of any present or future claims of depositors of the Issuer and any other unsubordinated creditors of the Issuer (including Senior Notes and Senior Non-Preferred Notes).

(d) ***Waiver***: Each holder of a Subordinated Note is deemed unconditionally and irrevocably to have waived any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Subordinated Note.

(e) ***Loss absorption***: The Subordinated Notes (including, for the avoidance of doubt, payments of principal and/or interest) shall be subject to the Loss Absorption Requirement, if so required under the BRRD and/or the SRM Regulation, in accordance with the powers of the Regulatory Authority and where the Regulatory Authority determines that the application of the Loss Absorption Requirement to the Subordinated Notes is necessary pursuant to applicable law and/or regulation in force from time to time.

(f) ***No Negative Pledge***: There is no negative pledge in respect of the Subordinated Notes.

7. Fixed to Floating Rate or Floating to Fixed Rate Note Provisions

(a) ***Application***: This Condition 7 (*Fixed to Floating Rate or Floating to Fixed Rate Note Provisions*) is applicable to the Notes only if the Fixed to Floating Rate Note Provisions or the Floating to Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable.

(b) ***Fixed to Floating Rate Note Provisions***: If the Fixed to Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable, then:

(i) the Fixed Rate Note Provisions shall apply to the Notes initially upon issue and in respect of the Fixed Rate Interest Period(s); and

(ii) the Floating Rate Note Provisions shall apply in respect of the Floating Rate Interest Period(s).

(c) ***Floating to Fixed Rate Note Provisions***: If the Floating to Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable, then:

(i) the Floating Rate Note Provisions shall apply to the Notes initially upon issue and in respect of the Floating Rate Interest Period(s); and

(ii) the Fixed Rate Note Provisions shall apply in respect of the Fixed Rate Interest Period(s).

(d) ***Scheduled switching***: If the Final Terms do not specify that the Switch Option is applicable, then the switching of interest pursuant to this Condition 7 shall take effect on each Switch Date without any requirement to give notice or other formality (but without prejudice, if applicable, to Condition 9(h) (*Publications*)).

(e) ***Switching at the option of the Issuer***: If the Final Terms specify that the Switch Option is applicable, then:

(i) the Issuer may, on one or more occasions, as specified in the relevant Final Terms, give notice to the Noteholders during the relevant Switch Option Exercise Period of the switching of interest applicable to the Notes from the Fixed Rate Noted Provisions to the Floating Rate Note Provisions or *vice versa*;

(ii) *provided that* notice is given to Noteholders during the relevant Switch Option Exercise Period, such notice will be irrevocable and binding on both the Issuer and the Noteholders and will take effect:

(A) *where only one Switch Date is specified in the relevant Final Terms, from (and including) the Switch Date to (but excluding) the Maturity Date; or*

(B) *where more than one Switch Date is specified in the relevant Final Terms, from (and including) the relevant Switch Date to (but excluding) the next following Switch Date; and*

(iii) if, in relation to a date specified in the Final Terms as a Switch Date, the Switch Option is not exercised in accordance with this Condition 7(e), then such date will be deemed not to be a Switch Date for the purposes of these Conditions and the interest provisions applicable prior to such date shall continue to apply.

8. Fixed Rate Note Provisions

(a) ***Application***: This Condition 8 (*Fixed Rate Note Provisions*) is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable.

(b) ***Accrual of interest***: The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject (if applicable) to adjustment of the Rate of Interest pursuant to Condition 8(e)(*Resetting of interest*) and subject as provided in Condition 12 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 8 (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Paying Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) ***Fixed Coupon Amount***: The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

(d) ***Calculation of interest amount***: The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

(e) ***Resetting of interest***: If the Final Terms specify the fixed note resetting provisions are applicable, the following provisions shall apply:

(i) the Rate of Interest shall be adjusted to the relevant Reset Rate of Interest from (and including) each Reset Date to (but excluding) the next following Reset Date or, if no such Reset Date is specified in the relevant Final Terms, the Maturity Date;

(ii) the Rate of Interest and the Interest Amount payable shall be determined by the Calculation Agent at or as soon as practicable after each time at which the Rate of Interest is to be determined and, in the case of the Interest Amount, in accordance with Condition 8(d) (*Calculation of interest amount*);

(iii) if on any Reset Determination Date, the Relevant Screen Page is not available or the Mid-Swap Rate does not appear on the Relevant Screen Page, the Calculation Agent shall request each of the Reference Banks to provide the Calculation Agent with its Mid-Market Swap Rate Quotation as at approximately 11.00 a.m. in the Principal Financial Centre of the Specified Currency on the Reset Determination Date in question;

(iv) If two or more of the Reference Banks provide the Calculation Agent with Mid-Market Swap Rate Quotations, the Reset Rate of Interest for the relevant Reset Period shall be the sum of the arithmetic mean (rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the relevant Mid-Market Swap Rate Quotations and the relevant Margin, all as determined by the Calculation Agent (and, for the avoidance of doubt, if such sum results in a negative amount, such amount shall be deemed to be zero);

(v) if on any Reset Determination Date only one or none of the Reference Banks provides the Calculation Agent with a Mid-Market Swap Rate Quotation as provided in the foregoing provisions of this paragraph, the Reset Rate of Interest shall be determined to be the Rate of Interest as at the last preceding Reset Date or, in the case of the first Reset Determination Date, as at the Interest Commencement Date;

(vi) the Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agent, Monte Titoli and each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period, and notice thereof shall also promptly be given to the Noteholders;

(vii) the Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period;

(viii) if the Calculation Amount is less than the minimum Specified Denomination, the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination; and

(ix) all notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 8 by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, Monte Titoli, the Paying Agent and the Noteholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

9. Floating Rate Note Provisions

(a) ***Application***: This Condition 9 (*Floating Rate Note Provisions*) is applicable to the Notes only if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable.

(b) ***Accrual of interest***: The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 12 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Paying Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) ***Screen Rate Determination***:

(i) *Floating Rate Notes other than CMS Linked Interest Notes*: If, in the relevant Final Terms, Screen Rate Determination is specified as the manner in which the Rate(s) of Interest is/are to be determined and "CMS Rate" is not specified as the Reference Rate, then the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:

(A) *if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;*

(B) *in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;*

(C) *if, in the case of (A) above, such rate does not appear on that page or, in the case of (B) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:*

(1) request the principal Relevant Financial Centre office of each the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and

(2) determine the arithmetic mean of such quotations; and

(D) *if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Issuer, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,*

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; *provided, however, that* (x) for the avoidance of doubt, if such sum results in a negative amount, such amount shall be deemed to be zero and (y) if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate (or as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

(ii) *CMS Linked Interest Notes*: If, in the relevant Final Terms, Screen Rate Determination is specified as the manner in which the Rate(s) of Interest is/are to be determined and "CMS Rate" is specified as the Reference Rate, then the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent by reference to the following formula:

CMS Rate plus Margin

provided that, for the avoidance of doubt, if such sum results in a negative amount, such amount shall be deemed to be zero.

If the Relevant Screen Page is not available, the Calculation Agent shall request each of the CMS Reference Banks to provide the Calculation Agent with its quotation for the Relevant Swap Rate at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the Interest Determination Date in question. If at least three of the CMS Reference Banks provide the Calculation Agent with such quotation, the CMS Rate for such Interest Period shall be the arithmetic mean of such quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest).

If on any Interest Determination Date less than three or none of the CMS Reference Banks provides the Calculation Agent with such quotations as provided in the preceding paragraph, the CMS Rate shall be the CMS Rate in effect with respect to the immediately preceding Interest Period.

(d) ***ISDA Determination***: If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "**ISDA Rate**" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(i) if the Final Terms specify either "2006 ISDA Definitions" or "2021 ISDA Definitions" as the applicable ISDA Definitions:

(A) *the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;*

(B) *the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and*

(C) *the relevant Reset Date (as defined in the ISDA Definitions), unless otherwise specified in the relevant Final Terms, has the meaning given to it in the ISDA Definitions,*

(ii) references in the ISDA Definitions to:

(A) *"Confirmation" shall be references to the relevant Final Terms;*

(B) *"Calculation Period" shall be references to the relevant Interest Period;*

(C) *"Termination Date" shall be references to the Maturity Date;*

(D) *"Effective Date" shall be references to the Interest Commencement Date; and*

(iii) if the Final Terms specify "2021 ISDA Definitions" as being applicable:

(A) *"Benchmark Event" shall be disapplied; and*

(B) *if the Temporary Non-Publication Fallback in respect of any specified Floating Rate Option is specified to be "Temporary Non-Publication Fallback – Alternative Rate" in the Floating Rate Matrix of the 2021 ISDA Definitions the reference to "Calculation Agent Alternative Rate Determination" in the definition of "Temporary Non-Publication Fallback – Alternative Rate" shall be replaced by "Temporary Non-Publication Fallback – Previous Day's Rate",*

provided that, for the avoidance of doubt, if such sum results in a negative amount, such amount shall be deemed to be zero.

(e) ***Maximum or Minimum Rate of Interest***: If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

(f) ***Calculation of Interest Amount***: The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount during such Interest Period, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

(g) ***Calculation of other amounts***: If the relevant Final Terms specify that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Final Terms.

(h) ***Publication***: The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agent, Monte Titoli and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination, the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.

(i) ***Notifications etc***: All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, Monte Titoli, the Paying Agent, the Noteholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

(j) ***Benchmark replacement***: Notwithstanding the provisions above in this Condition 9, if a Benchmark Event occurs in relation to an Original Reference Rate at any time when these Conditions provide for any remaining Rate of Interest (or any component part(s) thereof) to be determined by reference to such Original Reference Rate, then the following provisions shall apply.

(i) *Independent Adviser*: The Issuer shall use its reasonable endeavours to appoint and consult with an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 9(j)(ii)) and, in either case, an Adjustment Spread if any (in accordance with Condition 9(j)(iii)) and any Benchmark Amendments (in accordance with Condition 9(j)(iv)).

An Independent Adviser appointed pursuant to this Condition 9(j) shall act in good faith and in a commercially reasonable manner as an expert and in consultation with the Issuer.

(ii) *Successor Rate or Alternative Rate:* If the Independent Adviser determines that:

(A) *there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 9(j)(iii)) subsequently be used in place of the Original Reference Rate to determine the relevant Rate(s) of Interest (or* *the relevant component part(s) thereof) for all relevant future payments of interest on the Notes (subject to the further operation of this Condition 9(j)); or*

(B) *there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 9(j)(iii)) subsequently be used in place of the Original Reference Rate to determine the relevant Rate(s) of Interest (or the relevant component part(s) thereof) for all relevant future payments of interest on the Notes (subject to the further operation of this Condition 9(j)).*

(iii) *Adjustment Spread:* If the Independent Adviser determines (i) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and (ii) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Rate (as the case may be for each subsequent determination of a relevant Rate of Interest or a relevant component part thereof) by reference to such Successor Rate or Alternative Rate (as applicable).

(iv) *Benchmark Amendments:* If any Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 9(j) and the Independent Adviser determines (i) that amendments to these Conditions (including without limitation, amendments to the definitions of Day Count Fraction, Business Day, Relevant Screen Page, Interest Determination Date, Relevant Time, Relevant Financial Centre, Reference Banks, Principal Financial Centre, Business Day Convention or Additional Business Centre) are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the "**Benchmark Amendments**") and (ii) the terms of the Benchmark Amendments, then the Issuer shall, and subject to the Issuer giving notice thereof in accordance with Condition 9(j)(v), without any requirement for the consent or approval of Noteholders, vary these Conditions to give effect to such Benchmark Amendments with effect from the date specified in such notice.

In connection with any such variation in accordance with this Condition 9(j)(iv), the Issuer shall comply with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading.

(v) *Notices, etc.:* The Issuer shall notify the Paying Agent, Monte Titoli and the Calculation Agent or any other party specified in the relevant Final Terms as being responsible for calculating the Rate of Interest and, in accordance with Condition 19 (*Notices*), the Noteholders promptly of any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 9(j). Such notice shall be irrevocable (save in the event of manifest error in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any)) and shall specify the effective date of the Benchmark Amendments, if any.

Where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Period shall be substituted in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Period.

The Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) specified in such notice will (unless revoked) be binding on the Issuer, Monte Titoli, the Paying Agent, the Calculation Agent, any other party specified in the relevant Final Terms as being responsible for calculating the Rate of Interest, the Noteholders.

(vi) *Survival of Original Reference Rate:* Without prejudice to the obligations of the Issuer under the provisions of this Condition 9(j), the Original Reference Rate and the fallback provisions provided for in Condition 9(j) will continue to apply unless and until a Benchmark Event has occurred and only then once the Paying Agent, Monte Titoli and Calculation Agent or such other party specified in the relevant Final Terms, as applicable, have been notified of the Successor Rate or Alternative Rate (as the case may be) and any Adjustment Spread (if applicable) and Benchmark Amendments (if applicable) in accordance with Condition 9(j)(v).

(vii) *Fallbacks:* If, (a) following the occurrence of a Benchmark Event and in relation to the determination of the Rate of Interest on the relevant Interest Determination Date, the Issuer is unable to appoint an Independent Adviser or the Independent Adviser appointed by it fails to determine a Successor Rate or Alternative Rate (as applicable) pursuant to this Condition 9(j) by such Interest Determination Date, or, (b) in the case of Subordinated Notes, if the provisions relating to the occurrence of a Regulatory Event in case of a Benchmark Event is specified as applicable in the relevant Final Terms or, in the case of Senior Notes or Senior Non-Preferred Notes the provisions relating to the occurrence of a MREL Disqualification Event in case of a Benchmark Event is specified as applicable in the relevant Final Terms (as applicable), the provisions under paragraphs from (i) to (iv) above would cause the occurrence of a Regulatory Event or a MREL Disqualification Event (as applicable), ***then*** the Rate of Interest applicable to the next succeeding Interest Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Interest Period (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Period). For the avoidance of doubt, this Condition 9(j) shall apply to the determination of the Rate of Interest on the relevant Interest Determination Date only, and the Rate of Interest applicable to any subsequent Interest Period(s) is subject to the subsequent operation of, and to adjustment as provided in, this Condition 9(j).

(viii) *Definitions:* In this Condition 9(j):

"**Adjustment Spread**" means either a spread (which may be positive or negative), or the formula or methodology for calculating a spread, in either case, which the Independent Adviser determines is required to be applied to the relevant Successor Rate or the relevant Alternative Benchmark Rate (as the case may be) and is the spread, formula or methodology which:

(A) *in the case of a Successor Rate, is formally recommended, or formally provided as an option for parties to adopt, in relation to the replacement of the Reference Rate with the Successor Rate by any Relevant Nominating Body; or*

(B) *(if no such recommendation has been made, or in the case of an Alternative Benchmark Rate), the Independent Adviser, determines is customarily applied to the relevant Successor Rate or Alternative Benchmark Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Reference Rate; or*

(C) *(if no such recommendation has been made) the Independent Adviser determines, is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Benchmark Rate (as the case may be); or*

(D) *(if the Independent Adviser determines that no such industry standard is recognised or acknowledged) the Independent Adviser determines (acting in good faith and in a commercially reasonable manner) to be appropriate to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Noteholders as a result of the replacement of the Reference Rate with the Successor Rate or the Alternative Benchmark Rate (as the case may be);*

"**Alternative Rate**" means an alternative to the Reference Rate which the Independent Adviser determines in accordance with Condition 9(j)(ii) has replaced the Original Reference Rate in customary market usage in the international debt capital markets for the purposes of determining rates of interest (or the relevant component part thereof) or if no such rate exists, the rate which is most comparable to the Original Reference Rate, for a comparable interest period and in the same Specified Currency as the Notes;

"**Benchmark Amendments**" has the meaning given to it in Condition 9(j)(iv);

"**Benchmark Event**" means:

(A) *the Original Reference Rate ceasing to be published for a period of at least 5 Business Days or ceasing to be calculated, administered or published;*

(B) *the later of (i) the making of a public statement by the administrator of the Original Reference Rate that it will, on or before a specified date, cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate) and (ii) the date falling six months prior to the specified date referred to in (B)(i) above;*

(C) *the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate has been permanently or indefinitely discontinued;*

(D) *the later of (i) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate will, on or before a specified date, be permanently or indefinitely discontinued and (ii) the date falling six months prior to the specified date referred to in (D)(i) above;*

(E) *the later of (i) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that means the Original Reference Rate will be prohibited from being used or that its use will be subject* *to restrictions or adverse consequences, in each case on or before a specified date and (ii) the date falling six months prior to the specified date referred to in (E)(i) above; or*

(F) *it has become unlawful for any Paying Agent, the Calculation Agent or such other party as specified in the relevant Final Terms to calculate any payments due to be made to any Noteholder using the Original Reference Rate including, without limitation, under the Benchmarks Regulation (EU) 2016/1011, if applicable;*

"**Independent Adviser**" means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer under Condition 9(j) at its own expense;

"**Original Reference Rate**" means the originally-specified Reference Rate used to determine the relevant Rate of Interest (or any component part thereof) on the Notes;

"**Relevant Nominating Body**" means, in respect of the Original Reference Rate:

(A) *the central bank for the currency to which the Original Reference Rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the Original Reference Rate; or*

(B) *any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank to which the Original Reference Rate relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the Original Reference Rate, (c) a group of the aforementioned central banks or other supervisory authorities, or (d) the Financial Stability Board or any part thereof; and*

"**Successor Rate**" means a successor to or replacement of the Original Reference Rate which is determined by the Issuer in accordance with this Condition 9 or that is formally recommended by any Relevant Nominating Body.

10. Zero Coupon Note Provisions

(a) ***Application***: This Condition 10 (*Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Final Terms as being applicable.

(b) ***Late payment on Zero Coupon Notes***: If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Paying Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

11. **Redemption and Purchase**

(a) ***Scheduled redemption:*** Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, as provided in Condition 12 (*Payments*), and, in the case of Subordinated Notes, subject to Condition 11(g) (*Regulatory conditions for call, redemption, repayment or, repurchase or modification of Subordinated Notes*).

Pursuant to Article 12-*bis*, paragraph 1, letter a), of the Consolidated Banking Law, the Maturity Date of the Senior Non-Preferred Notes shall not fall earlier than twelve months after their Issue Date.

(b) **Redemption for tax reasons**: The Notes may be redeemed at the option of the Issuer (subject, in the case of Subordinated Notes, to Condition 11(g) (*Regulatory conditions for call, redemption, repayment or, repurchase or modification of Subordinated Notes*) and, in the case of Senior Notes and Senior Non-Preferred Notes, to Condition 11(m) (*Regulatory conditions for call, redemption, repayment, repurchase or modification of Senior Notes and Senior Non-Preferred Notes*)) in whole, but not in part, on the Early Redemption Date on giving not less than 30 nor more than 60 days' notice to the Paying Agent, Monte Titoli and, in accordance with Condition 19 (*Notices*), the Noteholders (which notices shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the Early Redemption Date, if:

(i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 13 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Republic of Italy or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes; and

(ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; and

(iii) in the case of Subordinated Notes and only if the Early Redemption Date falls before five years from the Issue Date, the Issuer has demonstrated to the satisfaction of the Regulatory Authority that such change is material and was not reasonably foreseeable at the Issue Date,

(any such event, a "**Tax Event**") *provided, however, that* no such notice of redemption shall be given earlier than:

(A) *where the Notes may be redeemed at any time, 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due; or*

(B) *where the Notes may be redeemed only on an Interest Payment Date, 60 days prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.*

Upon publication of any notice of redemption pursuant to this paragraph, the Issuer shall make available, upon request, to the relevant Noteholder (1) a certificate signed by a duly authorised legal representative of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (2) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment. Upon the expiry of any such notice as is referred to in this Condition 11(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 11(b) (subject to Condition 11(g) (*Regulatory conditions for call, redemption, repayment or, repurchase or modification of Subordinated Notes*) and to Condition 11(m) (*Regulatory conditions for call, redemption, repayment, repurchase or modification of Senior Notes and Senior Non-Preferred Notes*)).

(c) ***Redemption for regulatory reasons***:

(i) *Application*: This Condition 11(c) is applicable only to Subordinated Notes and only if this Condition 11(c) is specified as being applicable in the relevant Final Terms.

(ii) *Redemption*: Upon occurrence of a Regulatory Event, subject to Condition 11(g) (*Regulatory conditions for call, redemption, repayment or, repurchase or modification of Subordinated Notes*), the Notes may be redeemed on the Early Redemption Date at the option of the Issuer in whole, but not in part, on giving not less than 30 nor more than 60 days' notice (which notice shall be irrevocable) to the Paying Agent, Monte Titoli and, in accordance with Condition 19 (*Notices*), the Noteholders.

Upon publication of any notice of redemption pursuant to this Condition 11(c), the Issuer shall make available, upon request, to the relevant Noteholder a certificate signed by a duly authorised legal representative of the Issuer stating that a Regulatory Event has occurred and describing the facts giving rise to such circumstances, and such certificate shall be conclusive and binding on the Noteholders.

Upon the expiry of any such notice as is referred to in this Condition 11(c), the Issuer shall be bound to redeem the Notes in accordance with this Condition 11(c), at the Early Redemption Amount (Regulatory Event) specified in the relevant Final Terms, together (if applicable) with interest accrued to (but excluding) the Early Redemption Date.

Any redemption pursuant to this Condition 11(c) shall be subject to Condition 11(g) (*Regulatory conditions for call, redemption, repayment or, repurchase or modification of Subordinated Notes*).

(d) ***Redemption at the option of the Issuer***: If the Call Option is specified in the relevant Final Terms as being applicable, the Notes may be redeemed at the option of the Issuer (subject, in the case of Subordinated Notes, to Condition 11(g) (*Regulatory conditions for call, redemption, repayment or, repurchase or modification of Subordinated Notes*) and, in the case of Senior Notes and Senior Non-Preferred Notes, to Condition 11(m) (*Regulatory conditions for call, redemption, repayment, repurchase or modification of Senior Notes and Senior Non-Preferred Notes*)) in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 30 nor more than 60 days' notice to the Paying Agent, Monte Titoli and, in accordance with Condition 19 (*Notices*), the Noteholders (which notices shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).

In the case of Senior Notes and Senior Non-Preferred Notes, the call option pursuant to this Condition 11(d) shall be subject to Condition 11(m) (Regulatory conditions for call, redemption, repayment, repurchase or modification of Senior Notes and Senior Non-Preferred Notes).

In the case of Subordinated Notes, no call option in accordance with this Condition 11(d) may be exercised by the Issuer to redeem, in whole or in part, such Notes prior to the fifth anniversary of their Issue Date. Starting from the fifth anniversary of their Issue Date, the redemption pursuant to this Condition 11(d) shall be subject to Condition 11(g) (Regulatory conditions for call, redemption, repayment or, repurchase or modification of Subordinated Notes).

(e) ***Partial redemption***: If the Notes are to be redeemed in part only on any date in accordance with Condition 11(d) (*Redemption at the option of the Issuer*), the Notes to be redeemed shall be selected in accordance with the rules of Monte Titoli (to be reflected in the records of Monte Titoli as a pro rata reduction in principal amount), subject to compliance with applicable laws and the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.

In the case of Senior Notes, the partial redemption pursuant to this Condition 11(e) shall be subject to Condition 11(m) (Regulatory conditions for call, redemption, repayment, repurchase or modification of Senior Notes and Senior Non-Preferred Notes).

In the case of Subordinated Notes, no partial redemption in accordance with this Condition 11(e) may be exercised by the Issuer to redeem, in part, such Notes prior to the fifth anniversary of their Issue Date. Starting from the fifth anniversary of their Issue Date, the partial redemption pursuant to this Condition 11(e) shall be subject to Condition 11(g) (Regulatory conditions for call, redemption, repayment or, repurchase or modification of Subordinated Notes).

(f) ***Redemption at the option of Noteholders***:

(i) *Application*: This Condition 11(f) (*Redemption at the option of Noteholders*) is applicable only if the Put Option is specified in the relevant Final Terms as being applicable but, in any event, does not apply to Senior Non-Preferred Notes and Subordinated Notes.

(ii) *Put Options*: The Issuer shall, at the option of the holder of any Note redeem such Note on the Optional Redemption Date (Put) at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 11(f), the holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put), deliver to any Paying Agent a duly completed Put Option Notice in the form obtainable from any Paying Agent. Upon delivery of a Put Option Notice and up to and including the Optional Redemption Date (Put), no transfer of title to the Note(s) for which the Put Option Notice has been delivered will be allowed. At least 5 Business Days prior to the Optional Redemption Date (Put), the Issuer and the Paying Agent shall notify Monte Titoli of the amount of Notes to be redeemed on the Optional Redemption Date (Put) and the aggregate Optional Redemption Amount (Put).

(g) ***Regulatory conditions for call, redemption, repayment or, repurchase or modification of Subordinated Notes:*** In the case of Subordinated Notes, any call, redemption, repayment or repurchase of such Notes in accordance with Condition 9(h) (*Publications*), Condition 11(b) (*Redemption for tax reasons*), Condition 11(c) (*Redemption for regulatory reasons*), Condition 11(d) (*Redemption at the option of the Issuer*), Condition 11(n) (*Clean-up Redemption at the option of the Issuer*), or Condition 11(k) (*Purchase*) or Condition 17 (*Meetings of Noteholders;*

Modification) (including, for the avoidance of doubt, any modification in accordance with Condition 17 (*Meetings of Noteholders; Modification*)) is subject to conditions compliance with the then applicable Banking Regulations, including:

(a) the Issuer having obtained the prior permission of the Regulatory Authority in accordance with Articles 77 and 78 of the CRR, as amended or replaced from time to time, where either:

i. on or before such call, redemption, repayment or repurchase (as applicable), the Issuer replaces the Subordinated Notes with Own Funds Instruments of equal or higher quality at terms that are sustainable for its income capacity; or

ii. the Issuer has demonstrated to the satisfaction of the Regulatory Authority that its Own Funds would, following such call, redemption, repayment or repurchase, exceed the capital requirements laid down in the Applicable Banking Regulations by a margin that the Regulatory Authority considers necessary; and

(b) in respect of a call, redemption repayment or repurchase prior to the fifth anniversary of the Issue Date of the relevant Subordinated Notes, if and to the extent required under Article 78(4) of the CRR or the Capital Instruments Regulation:

i. in the case of redemption pursuant to Condition 11(b) (*Redemption for tax reasons*), the Issuer having demonstrated to the satisfaction of the Regulatory Authority that the change in the applicable tax treatment of the Notes is material and was not reasonably foreseeable as at the Issue Date; or

ii. in case of redemption pursuant to Condition 11(g) (Regulatory conditions for call, redemption, repayment or, repurchase or modification of Subordinated Notes), a Regulatory Event has occurred; or

iii. on or before the relevant call, redemption, repayment or repurchase, the Issuer replaces the Notes with Own Funds Instruments of equal or higher quality at terms that are sustainable for income capacity of the Issuer and the Regulatory Authority has permitted that action on the basis of the determination that it would be beneficial from a prudential point of view and justified by exceptional circumstances; or

iv. the Subordinated Notes are repurchased for market making purposes,

subject in any event to any alternative or additional conditions or requirements as may be applicable from time to time under the Applicable Banking Regulations.

The Regulatory Authority may grant a general prior permission, for a specified period which shall not exceed one year, to redeem or purchase (including for market making purposes) the Subordinated Notes, in the limit of a predetermined amount, which shall not exceed the lower of (i) 10 per cent. (or any other threshold as may be requested or required by the Regulatory Authority from time to time) of the aggregate nominal amount of the relevant Subordinated Notes and (ii) 3 per cent. (or any other threshold as may be requested or required by the Regulatory Authority from time to time) of the outstanding aggregate nominal amount of the Tier II Capital of the Issuer at the relevant time, subject to criteria that ensure that any such redemption or purchase will be in accordance with the conditions set out at romans i and ii of sub-paragraph (a) of the preceding paragraph.

For the avoidance of doubt, any refusal of the Regulatory Authority to grant its permission in accordance with Article 78 of the CRR shall not constitute a default of the Issuer for any purposes.

(h) ***Issuer Call Due to a MREL Disqualification Event***

(i) *Application*: this Condition 11(h) applies only to Notes specified in the applicable Final Terms as Senior Notes or Senior Non-Preferred Notes.

(ii) If Issuer Call due to MREL Disqualification Event is specified as being applicable in the applicable Final Terms, then any Series of Senior Notes or Non-Preferred Notes may (subject to the provisions of Condition 11(m) (*Regulatory conditions for call, redemption, repayment, repurchase or modification of Senior Notes and Senior Non-Preferred Notes*)) on or after the date specified in a notice published on the Issuer's website be redeemed at the option of the Issuer in whole, but not in part, at any time (if the Note is neither a Floating Rate Note or a CMS Linked Interest Note) or on any Interest Payment Date (if the Note is either a Floating Rate Note or a CMS Linked Interest Note) on giving not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Paying Agent, Monte Titoli and, in accordance with Condition 19 (*Notices*), the Noteholders (which notices shall be irrevocable), if the Issuer determines that an MREL Disqualification Event has occurred and is continuing.

(iii) Upon the expiry of any such notice as is referred to in this Condition, the Issuer shall be bound to redeem the Notes in accordance with this Condition. Notes redeemed pursuant to this Condition will be redeemed at their Early Redemption Amount described in the applicable Final Terms, together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(i) ***Early redemption of Zero Coupon Notes***: Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 11(h) or, if none is so specified, a Day Count Fraction of 30E/360.

In the case of Senior Notes, the call option pursuant to this Condition 11(h) shall be subject to Condition 11(m) (*Regulatory conditions for call, redemption, repayment, repurchase or modification of Senior Notes and Senior Non-Preferred Notes*).

In the case of Subordinated Notes, no call option in accordance with this Condition 11(i) may be exercised by the Issuer to redeem, in whole or in part, such Notes prior to the fifth anniversary of their Issue Date. Starting from the fifth anniversary of their Issue Date, the redemption pursuant to this Condition 11(i) shall be subject to Condition 11(g) (*Regulatory conditions for call, redemption, repayment or, repurchase or modification of Subordinated Notes*).

(j) ***No other redemption***: The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Conditions 11(a) (*Scheduled redemption*) to 11(i) (*Early redemption of Zero Coupon Notes*) above.

(k) ***Purchase***: The Issuer or any of its Subsidiaries may (but, in the case of Subordinated Notes, subject to Condition 11(g) (*Regulatory conditions for call, redemption, repayment or, repurchase or modification of Subordinated Notes*) and, in the case of Senior Notes and Senior Non-Preferred Notes, to Condition 11(m) (*Regulatory conditions for call, redemption, repayment, repurchase or modification of Senior Notes and Senior Non-Preferred Notes*)) at any time purchase Notes in the open market or otherwise and at any price.

(l) ***Cancellation***: All Notes so redeemed or purchased shall be cancelled and may not be reissued or resold.

(m) Regulatory conditions for call, redemption, repayment, repurchase or modification of Senior Notes and Senior Non-Preferred Notes: Any call, redemption, repayment or repurchase in accordance with Condition 9(h) (*Publications*), Condition 11(b) (*Redemption for tax reasons*), Condition 11(d) (*Redemption at the option of the Issuer*), Condition 11(h) (*Issuer Call Due to a MREL Disqualification Event*), Condition 11(n) (*Clean-up Redemption at the option of the Issuer*), Condition 11(k) (*Purchase*) or Condition 17 (*Meetings of Noteholders; Modification*) (including, for the avoidance of doubt, any modification in accordance with Condition 17 (*Meetings of Noteholders; Modification*)) of Senior Notes or Senior Non-Preferred Notes is subject, to the extent such Senior Notes or Senior Non-Preferred Notes qualify at such time as liabilities that are eligible to meet the MREL Requirements (Eligible Liabilities Instruments) or, in case of a redemption pursuant to Condition 11(h) (*Issuer Call Due to a MREL Disqualification Event*), qualified as liabilities that are eligible to meet the MREL Requirements before the occurrence of the MREL Disqualification Event, to compliance with the then applicable Banking Regulations, including the condition that the Issuer has obtained the prior permission of the Regulatory Authority in accordance with Article 78a of the CRR, where one of the following conditions is met:

  (a) on or before such call, redemption, repayment or repurchase (as applicable), the Issuer replaces the Relevant Notes with Own Funds Instruments or Eligible Liabilities Instruments of equal or higher quality at terms that are sustainable for its income capacity; or

  (b) the Issuer has demonstrated to the satisfaction of the Regulatory Authority that its Own Funds and Eligible Liabilities would, following such call, redemption, repayment or repurchase, exceed the requirements for Own Funds and Eligible Liabilities laid down in the Applicable Banking Regulations by a margin that the Regulatory Authority considers necessary; or

  (c) the Issuer has demonstrated to the satisfaction of the Regulatory Authority that the partial or full replacement of the relevant notes with Own Funds Instruments is necessary to ensure compliance with the Own Funds requirements laid down in the Applicable Banking Regulations for continuing authorisation,

subject in any event to any different conditions or requirements as may be applicable from time to time under the Applicable Banking Regulations.

The Regulatory Authority may grant a general prior permission, for a specified period which shall not exceed one year, to redeem or purchase (including for market making purposes) Senior Preferred Notes or Senior Non-Preferred Notes, in the limit of a predetermined amount, instruments, subject to criteria that ensure that any such redemption or purchase will be in accordance with the conditions set out in sub-paragraphs (a) and (b) of the preceding paragraph.

For the avoidance of doubt, any refusal of the Regulatory Authority to grant its permission in accordance with Article 78a of the CRR shall not constitute a default of the Issuer for any purposes.

(n) ***Clean-up Redemption at the option of the Issuer***: If a clean-up redemption option (the "**Clean-Up Redemption Option**") is specified as applicable in the Final Terms, and if 75% or any higher percentage specified in the relevant Final Terms (the "**Clean-Up Percentage**") of the initial aggregate nominal amount of the Notes of the same Series (which for the avoidance of doubt includes, any additional Notes issued subsequently and forming a single series with the first Tranche of a particular Series of Notes) have been redeemed or purchased by, or on behalf of, the Issuer and cancelled, the Issuer may at any time, at its option, and having given to the Paying Agent, Monte Titoli and, in accordance with Condition 19 (*Notices*), the Noteholders not less than 5 nor more than 30 calendar days' notice (the "**Clean-Up Redemption Notice**") (which notices shall be irrevocable and shall specify the date fixed for redemption), redeem such outstanding Notes, in whole but not in part, at their clean-up redemption amount ("**Clean-Up Redemption Amount**") together, if appropriate, with accrued interest to (but excluding) the date of redemption, on the date fixed for redemption identified in the Clean-Up Redemption Notice.

In the case of Subordinated Notes, the redemption referred to in this Condition 11(n) shall be subject to Condition 11(g) (*Regulatory conditions for call, redemption, repayment or, repurchase or modification of Subordinated Notes*).

In the case of Senior Notes and Senior Non-Preferred Notes, the redemption referred to in this Condition 11(n) shall be subject to Condition 11(g) (*Regulatory conditions for call, redemption, repayment, repurchase or modification of Senior Notes and Senior Non-Preferred Notes*).

12. Payments

(a) ***Principal***: Payment of principal and interest in respect of the Notes will be credited, according to the instructions of Monte Titoli, by the Paying Agent to the accounts of the Monte Titoli Account Holders whose accounts with Monte Titoli are credited with those Notes and thereafter credited by such Monte Titoli Account Holders to the accounts of the beneficial owners of those Notes or through Euroclear and Clearstream, Luxembourg to the accounts with Euroclear and Clearstream, Luxembourg of the beneficial owners of those Notes, in accordance with the rules and procedures of Monte Titoli, Euroclear or Clearstream, Luxembourg, as the case may be.

(b) ***Payments subject to fiscal laws***: All payments in respect of the Notes are subject in all cases to: (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 13 (*Taxation*); and (ii) any withholding or deduction required pursuant to an agreement described in section 1471(b) of the U.S. Internal Revenue Code of 1986 or otherwise imposed pursuant to sections 1471 to 1474 of that Code, any regulations or arrangements thereunder, official interpretation thereof or any law implementing an inter-governmental approach thereto. No commissions or expenses shall be charged to the Noteholders for any payments in respect of the Notes.

(c) ***Payments on business days***: If the due date for payment of any amount in respect of any Note is not a Payment Business Day, the holder shall not be entitled to payment of the amount due until the next succeeding Payment Business Day and shall not be entitled to any further interest or other payment in respect of any such delay.

13. Taxation

(a) ***Gross up***: All payments of principal and interest in respect of the Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed or on behalf of the Republic of Italy or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders after such withholding or deduction of the amounts of principal, in the case of Senior Notes and Senior Non-Preferred Notes not qualifying at such time as liabilities that are eligible to meet the MREL Requirements only, and interest, in the case of any Notes, as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note:

(i) in the Republic of Italy; or

(ii) by or on behalf of a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of its having some connection with the Republic of Italy other than the mere holding of such Note; or

(iii) by a non-Italian resident entity or individual which is resident for tax purposes in a country which does not allow for a satisfactory exchange of information with the Italian tax authorities; or

(iv) in relation to any payment or deduction on any interest, principal or other proceeds on account of Italian substitute tax (*imposta sostitutiva*) (at the then applicable rate of tax) pursuant to Legislative Decree No. 239 of 1 April 1996 and related regulations of implementation, as amended, supplemented and/or re-enacted from time to time ("**Decree No. 239**"), including Legislative Decree No. 461 of 21 November 1997 and related regulations of implementation, as amended, supplemented and/or re-enacted from time to time ("**Legislative Decree No. 461**"); or

(v) in all circumstances in which the requirements and procedures set forth in Decree No. 239 or Legislative Decree No. 461 in order to benefit from a tax exemption have not been met or complied with; or

(vi) by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a Member State of the European Union; or

(vii) more than 30 days after the Relevant Date except to the extent that the relevant holder would have been entitled to such additional amounts if it had presented such Note on the last day of such period of 30 days; or

(viii) by or on behalf of a Noteholder who is entitled to avoid such deduction or withholding by making a declaration of residence or non-residence or other substantially similar claim but fails to do so; or

(ix) in respect of Notes that are classified as atypical securities where such withholding or deduction is required pursuant to Law Decree No. 512 of 30 September 1983, as amended, supplemented and/or re-enacted from time to time.

(b) ***Taxing jurisdiction***: If the Issuer becomes subject at any time to any taxing jurisdiction other than the Republic of Italy, references in these Conditions to the Republic of Italy shall be construed as references to the Republic of Italy and/or such other jurisdiction.

(c) ***FATCA***: For the avoidance of doubt, the Issuer will have no obligation to pay any additional amounts in respect of the Notes for any amounts required to be withheld or deducted pursuant to sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986 if withholding or deduction is imposed under those rules.

14. **Events of Default**

(a) *Application*: This Condition 14 (*Events of Default*) is applicable to Senior Notes, Senior Non-Preferred Notes and Subordinated Notes.

(b) *Enforcement*: Without prejudice to Condition 14(c) (*Events of Default*), any holder of Notes may institute proceedings to enforce any obligation, condition or provision binding on the Issuer under such Notes *provided that* the Issuer shall not by virtue of any such proceedings, other than proceedings for the dissolution, liquidation or winding-up of the Issuer or any proceedings which under the laws of Italy have an analogous effect to any of the foregoing, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

(c) *Events of Default*: If any of the following events occurs:

(i) *Winding-up etc*: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or

(ii) *Analogous event*: any event occurs which under the laws of Italy has an analogous effect to any of the events referred to in paragraph (i) (*Winding-up etc.*) above,

then any Note may, by written notice addressed by the holder thereof to the Issuer and delivered to the Issuer or to the Specified Office of the Paying Agent, be declared immediately due and payable, whereupon it shall become immediately due and payable at its Early Termination Amount together with accrued interest (if any) without further action or formality.

(d) *No other remedy*: Subject to applicable laws, no remedy against the Issuer (including the exercise of any right of set-off or any analogous event) other than as specifically provided under this Condition 14 (*Events of Default*) shall be available to holders of any of the Notes whether for the recovery of amounts owing in respect of the Notes or in respect of any breach by the Issuer of any of its obligations in relation to the Notes or otherwise.

15. **Prescription**

Claims for principal and interest shall become void unless made within ten years (in the case of principal) and five years (in the case of interest) of the appropriate Relevant Date.

16. **Agents**

The Issuer will act as initial paying agent for the Notes and the name of the Issuer will be included in the applicable Final Terms as Paying Agent for the Notes.

The Issuer is entitled to terminate its role as Paying Agent for the Notes and appoint an additional or other Paying Agent, which shall be a reputable financial institution of good standing, in each case under the terms of an agency agreement in a form customary in the international capital markets, provided that there will at all times be a Paying Agent. The termination of its appointment as Paying Agent shall only take effect upon the appointment by the Issuer of a successor Paying Agent.

The initial Calculation Agent (if any) is specified in the relevant Final Terms. The Issuer reserves the right at any time to vary or terminate the appointment of the Calculation Agent and to appoint a successor Calculation Agent; *provided, however, that*: if a Calculation Agent is specified in the relevant Final Terms, the Issuer shall at all times maintain a Calculation Agent.

Notice of any change in any of the Paying Agents or in their Specified Offices shall promptly be given to the Noteholders.

17. **Meetings of Noteholders; Modification**

(a) ***Meetings of Noteholders***: The Provisions for Meetings of Noteholders contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and shall be convened by it upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, however, that* Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) ***Modification***: The Notes and these Conditions may be amended without the consent of the Noteholders to correct a manifest error. In addition, the Issuer may not effect, without the consent of the Noteholders, any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is not materially prejudicial to the interests of the Noteholders.

In addition, (i) In the case of Senior Notes or Non-Preferred Senior Notes, if at any time a MREL Disqualification Event occurs or (ii) in the case of all Notes, in order to ensure the effectiveness and enforceability of Condition 23 (*Contractual Recognition of Bail-in Powers*), then the Issuer may, subject to giving any notice required to be given to, and receiving any consent required from, the Regulatory Authority (without any requirement for the consent or approval of the holders of the relevant Notes of that Series) and having given not less than 30 nor more than 60 days' notice to the Paying Agent, Monte Titoli and the holders of the Notes of that Series, at any time vary the terms of such Notes so that they remain or, as appropriate, become Qualifying Senior Notes, Qualifying Senior Non-Preferred Notes or Qualifying Subordinated Notes, as applicable, provided that such variation does not itself give rise to any right of the Issuer to redeem the varied securities.

For the purposes of this Condition 17(b), "**Qualifying Senior Non-Preferred Notes**" means securities issued by the Issuer that:

(i) other than in respect of the effectiveness and enforceability of Condition 23 (*Contractual Recognition of Bail-in Powers*), have terms not materially less favourable to a holder of the Senior Non-Preferred Notes (as reasonably determined by the Issuer) than the terms of the Senior Non-Preferred Notes, and they shall also (A) contain terms which at such time result in such securities being eligible to count towards fulfilment of the Issuer's and/or the Group's (as applicable) minimum requirements for Own Funds and Eligible Liabilities under the then applicable MREL Requirements; (B) include a ranking at least equal to that of the Senior Non-Preferred Notes; (C) have at least the same interest rate and the same Interest Payment Dates as those from time to time applying to the Senior Non-Preferred Notes; (D) have the same redemption rights as the Senior Non-Preferred Notes; and (E) are assigned (or maintain) the same or higher solicited credit ratings as were assigned to the Senior Non-Preferred Notes immediately prior to such variation; (F) continue to constitute legal, valid, binding and enforceable obligations of the Issuer as confirmed by a legal opinion addressed to the Issuer from a lawyer or firm of lawyers of recognized standing in the jurisdiction where the Issuer is incorporated, delivered to the Paying Agent which shall make it available to the Noteholders at its Specified Office; and

(ii) are listed on a recognised stock exchange if the Senior Non-Preferred Notes were listed immediately prior to such variation.

For the purposes of this Condition 17(b), "**Qualifying Senior Notes**" means securities issued by the Issuer that:

(i) other than in respect of the effectiveness and enforceability of Condition 23 (*Contractual Recognition of Bail-in Powers*), have terms not materially less favourable to a holder of the Senior Notes (as reasonably determined by the Issuer) than the terms of the Senior Notes, and they shall also (A) contain terms which at such time result in such securities being eligible to count towards fulfilment of the Issuer's and/or the Group's (as applicable) minimum requirements for Own Funds and Eligible Liabilities under the then applicable MREL Requirements; (B) include a ranking at least equal to that of the Senior Notes; (C) have at least the same interest rate and the same Interest Payment Dates as those from time to time applying to the Senior Notes; (D) have the same redemption rights as the Senior Notes; and (E) are assigned (or maintain) the same or higher solicited credit ratings as were assigned to the Senior Notes immediately prior to such variation; (F) continue to constitute legal, valid, binding and enforceable obligations of the Issuer as confirmed by a legal opinion addressed to the Issuer from a lawyer or firm of lawyers of recognized standing in the jurisdiction where the Issuer is incorporated, delivered to the Paying Agent which shall make it available to the Noteholders at its Specified Office; and

(ii) are listed on a recognised stock exchange if the Senior Notes were listed immediately prior to such variation.

For the purposes of this Condition 17(b), "**Qualifying Subordinated Notes**" means securities issued by the Issuer that:

(i) other than in respect of the effectiveness and enforceability of Condition 23 (*Contractual Recognition of Bail-in Powers*), have terms not materially less favourable to a holder of the Subordinated Notes (as reasonably determined by the Issuer) than the terms of the Subordinated Notes, and they shall also (A) comply with the then current requirements of the Applicable Banking Regulations in relation to Tier II Capital; (B) include a ranking at least equal to that of the Subordinated Notes; (C) have at least the same interest rate and the same Interest Payment Dates as those from time to time applying to the Subordinated Notes; (D) have the same redemption rights as the Subordinated Notes; and (E) are assigned (or maintain) the same or higher solicited credit ratings as were assigned to the Subordinated Notes immediately prior to such variation; (F) continue to constitute legal, valid, binding and enforceable obligations of the Issuer as confirmed by a legal opinion addressed to the Issuer from a lawyer or firm of lawyers of recognized standing in the jurisdiction where the Issuer is incorporated, delivered to the Paying Agent which shall make it available to the Noteholders at its Specified Office; and

(ii) are listed on a recognised stock exchange if the Subordinated Notes were listed immediately prior to such variation.

Any variation of the Conditions to give effect to the Benchmark Amendments in accordance with Condition 9(j) shall not require the consent or approval of Noteholders.

18. **Further Issues**

The Issuer may from time to time, without the consent of the Noteholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the Issue Price, the Issue Date, the Interest Commencement Date and/or the first payment of interest) so as to form a single series with the Notes.

19. **Notices**

For so long as the Notes are held through Monte Titoli, all notices regarding the Notes will be deemed to be validly given if published through the systems of Monte Titoli, and (if and for so long as the Notes are admitted to trading on the Luxembourg Stock Exchange's regulated market and listed on the Official List of the Luxembourg Stock Exchange and for so long as the rules of the Luxembourg Stock Exchange so require) either on the website of the Luxembourg Stock Exchange (www.luxse.com) or in a daily newspaper of general circulation in Luxembourg. It is expected that any such publication in a newspaper will be made in the *Luxemburger Wort* or the *Tageblatt*. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any other stock exchange or other relevant authority on which the Issuer has made application for the Notes to be listed or admitted to trading including publication on the website of the relevant stock exchange or relevant authority if required by those rules. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

Notices to be given by any Noteholder shall be in writing and given by lodging the same with the Paying Agent.

20. **Currency Indemnity**

If any sum due from the Issuer in respect of the Notes or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Paying Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

21. **Rounding**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

22. **Governing Law and Jurisdiction**

(a) ***Governing law***: The Notes and any non-contractual obligations arising out of or in connection with the Notes, are governed by, and shall be construed in accordance with Italian law.

(b) ***Italian courts***: The courts of Milan have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Notes (including a dispute relating to the existence, validity or termination of the Notes or any non-contractual obligation arising out of or in connection with the Notes) or the consequences of their nullity.

(c) ***Appropriate forum***: The Issuer agrees that the courts of Milan are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.

(d) ***Rights of the Noteholders to take proceedings outside Italy***: Condition 22(b) (*Italian courts*) is for the benefit of the Noteholders only. To the extent allowed by law, any Noteholder may take (i) proceedings relating to a Dispute ("**Proceedings**") in any other courts in any Permitted Jurisdiction and (ii) concurrent Proceedings in any number of Permitted Jurisdictions.

23. **Contractual Recognition of Bail-In Powers**

(a) By the acquisition of the Notes, each Noteholder acknowledges and agrees to be bound by the exercise of any Bail-in Power by the Relevant Resolution Authority that may result in the write-down or cancellation of all or a portion of the principal amount of, or distributions on, the Notes and/or the conversion of all or a portion of the principal amount of, or distributions on, the Notes into ordinary shares or other obligations of the Issuer or another person, including by means of a variation to the terms of the Notes to give effect to the exercise by the Relevant Resolution Authority of such Bail-in Power. Each Noteholder further agrees that the rights of the Noteholders are subject to, and will be varied if necessary so as to give effect to, the exercise of any Bail-in Power by the Relevant Resolution Authority.

(b) Upon the Issuer being informed or notified by the Relevant Resolution Authority of the actual exercise of the date from which the Bail-in Power is effective with respect to the Notes, the Issuer shall notify the Noteholders without delay. Any delay or failure by the Issuer to give notice shall not affect the validity and enforceability of the Bail-in Power nor the effects on the Notes described in this clause.

(c) The exercise of the Bail-in Power by the Relevant Resolution Authority with respect to the Notes shall not constitute an Event of Default and the terms and conditions of the Notes shall continue to apply in relation to the residual principal amount of, or outstanding amount payable with respect to, the Notes subject to any modification of the amount of distributions payable to reflect the reduction of the principal amount, and any further modification of the terms that the Relevant Resolution Authority may decide in accordance with applicable laws and regulations relating to the resolution of credit institutions, investment firms and/or Group Entities incorporated in the relevant Member State.

(d) Each Noteholder also acknowledges and agrees that this provision is exhaustive on the matters described herein to the exclusion of any other agreements, arrangements or understandings relating to the application of any Bail-in Power to the Notes.

(e) As used in this Condition:

"**Bail-in Power**" means any statutory write-down and/or conversion power existing from time to time under any laws, regulations, rules or requirements relating to the resolution of credit institutions, investment firms and/or Group Entities incorporated in the relevant Member State in effect and applicable in the relevant Member State to the Issuer or other Group Entities, including (but not limited to) any such laws, regulations, rules or requirements that are implemented, adopted or enacted within the context of any European Union directive or regulation of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms and/or within the context of a relevant Member State resolution regime or otherwise, pursuant to which liabilities of a credit institution, investment firm and/or any Group Entities can be reduced, cancelled and/or converted into shares or obligations of the obligor or any other person.

"**Group Entity**" means the Issuer or any legal person that is part of the Group.

"**Relevant Resolution Authority**" means the Italian resolution authority, the Single Resolution Board (SRB) established pursuant to the SRM Regulation and/or any other authority entitled to exercise or participate in the exercise of any Resolution Power or Bail-in Power from time to time.

"**Resolution Power**" means any statutory write-down, transfer and/or conversion power existing from time to time under any laws regulations, rules or requirements relating to the resolution of the Issuer or any other entities of the Group, including but not limited to any laws, regulations, rules or requirements implementing the BRRD and/or the SRM Regulation.

APPENDIX 1 TO THE TERMS AND CONDITIONS

PROVISIONS FOR MEETINGS OF NOTEHOLDERS

1 GENERAL

Each Meeting of Noteholders of a specific Series of Notes under the Programme is governed by these Provisions for Meetings of Noteholders (the "**Provisions for Meetings of Noteholders**").

These Provisions for Meetings of Noteholders shall remain in force and effect until full repayment or cancellation of all the Notes issued under the Programme.

The contents of these Provisions for Meetings of Noteholders are deemed to be an integral part of each Note issued by the Issuer from time to time under the Programme.

The contents of these Provisions for Meetings of Noteholders are subject to any mandatory provisions of Italian law (including, without limitation, those set out in the Financial Services Act) and the Issuer's By-Laws in force from time to time.

2 DEFINITIONS

Unless otherwise provided in these Provisions for Meetings of Noteholders, any capitalised term shall have the meaning attributed to it in the Conditions.

Any reference herein to an "**Article**" shall be a reference to an article of these Provisions for Meetings of Noteholders. Any reference herein to a "**Series**" of Notes shall be a reference, in the case of a Meeting of the Noteholders, to the Notes of the same Series issued under the Programme in relation to which the Meeting is convened.

In these Provisions for Meetings of Noteholders, the terms below shall have the following meaning:

"**Block Voting Instruction**" means, in relation to any Meeting, a document requested by any Noteholder and issued by the relevant Monte Titoli Account Holder, delivered to the Paying Agent:

(a) certifying that certain specified Notes (the "**Blocked Notes**") are blocked in an account with the relevant Monte Titoli Account Holder and will not be released until the earlier of:

  (i) the conclusion of the Meeting; and

  (ii) the surrender to the Paying Agent, not less than 48 hours before the time fixed for the Meeting (or, if the Meeting has been adjourned, the time fixed for its resumption), of the receipt for the blocked Notes and notification thereof by the Paying Agent to the Issuer;

(b) certifying that the holder of each Blocked Note or a duly authorised person on its behalf has instructed that the votes attributable to such Blocked Note are to be cast in a particular way on each resolution to be put to the Meeting and that, during the period of 48 hours before the time fixed for the Meeting, such instructions may not be amended or revoked;

(c) listing the total number of the Blocked Notes, distinguishing for each resolution between those in respect of which instructions have been given to vote for, or against, the resolution; and

(d) authorising a named individual or individuals to vote in respect of the Blocked Notes in accordance with such instructions;

"**Chairman**" means, in relation to any Meeting, the individual who takes the chair in accordance with paragraph 8 (*Chairman*);

"**Extraordinary Resolution**" means a resolution passed at a Meeting duly convened and held in accordance with this Provisions for Meetings of Noteholders by a majority of not less that three quarters of the votes cast;

"**Meeting**" means a meeting of Noteholders (whether originally convened or resumed following an adjournment);

"**Proxy**" means, in relation to any Meeting, a person appointed to vote under a Block Voting Instruction other than:

(a) any such person whose appointment has been revoked and in relation to whom the Paying Agent has been notified in writing of such revocation by the time which is 48 hours before the time fixed for such Meeting; and

(b) any such person appointed to vote at a Meeting which has been adjourned for want of a quorum and who has not been re-appointed to vote at the Meeting when it is resumed;

"**Relevant Fraction**" means:

(a) for all business other than voting on an Extraordinary Resolution, one tenth;

(b) for voting on any Extraordinary Resolution other than one relating to a Reserved Matter, one more than half; and

(c) for voting on any Extraordinary Resolution relating to a Reserved Matter, three quarters;

provided, however, that, in the case of a Meeting which has resumed after adjournment for want of a quorum it means:

(i) for all business other than voting on an Extraordinary Resolution relating to a Reserved Matter, the fraction of the aggregate principal amount of the outstanding Notes represented or held by the Voters actually present at the Meeting; and

(ii) for voting on any Extraordinary Resolution relating to a Reserved Matter, one quarter;

"**Reserved Matter**" means any proposal:

(a) to change any date fixed for payment of principal or interest in respect of the Notes, to reduce or cancel the amount of principal or interest payable on any date in respect of the Notes or to alter the method of calculating the amount of any payment in respect of the Notes on redemption or maturity or the date for any such payment;

(b) to effect the exchange or substitution of the Notes for, or the conversion of the Notes into, shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed;

(c) to change the currency in which amounts due in respect of the Notes are payable;

(d) to change the quorum required at any Meeting or the majority required to pass an Extraordinary Resolution; or

(e) to amend this definition;

"**Voter**" means, in relation to any Meeting, the bearer of a Voting Certificate or a Proxy;

"**Voting Certificate**" means, in relation to any Meeting, a certificate issued by the relevant Monte Titoli Account Holder in accordance with applicable laws and regulations, in which it is stated:

(a) that certain specified Notes (the "**Blocked Notes**") have been blocked in an account with the relevant Monte Titoli Account Holder and will not be released until the earlier of:

(i) the conclusion of the Meeting; and

(ii) the surrender of such certificate to the relevant Monte Titoli Account Holder and the notification of release thereof to the Issuer; and

(b) that the bearer of such certificate is entitled to attend and vote at the Meeting in respect of the Blocked Notes;

"**Written Resolution**" means a resolution in writing signed by or on behalf of all holders of Notes who for the time being are entitled to receive notice of a Meeting in accordance with the provisions of this Provisions for Meetings of Noteholders, whether contained in one document or several documents in the same form, each signed by or on behalf of one or more such holders of the Notes;

"**24 hours**" means a period of 24 hours including all or part of a day upon which banks are open for business in both the places where the relevant Meeting is to be held and in each of the places where the Paying Agent have its Specified Offices (disregarding for this purpose the day upon which such Meeting is to be held) and such period shall be extended by one period or, to the extent necessary, more periods of 24 hours until there is included as aforesaid all or part of a day upon which banks are open for business as aforesaid; and

"**48 hours**" means 2 consecutive periods of 24 hours.

3 ISSUE OF VOTING CERTIFICATES AND BLOCK VOTING INSTRUCTIONS

The holder of a Note may obtain a Voting Certificate from the relevant Monte Titoli Account Holder or require the relevant Monte Titoli Account Holder to issue a Block Voting Instruction in respect of such Note, in each case not later than 48 hours before the time fixed for the relevant Meeting. A Voting Certificate or Block Voting Instruction shall be valid until the release of the Blocked Notes to which it relates. So long as a Voting Certificate or Block Voting Instruction is valid, the bearer thereof (in the case of a Voting Certificate) or any Proxy named therein (in the case of a Block Voting Instruction) shall be deemed to be the holder of the Notes to which it relates for all purposes in connection with the Meeting. A Voting Certificate and a Block Voting Instruction cannot be outstanding simultaneously in respect of the same Note.

4 REFERENCES TO DEPOSIT/RELEASE OF NOTES

References to the blocking or release, of Notes shall be construed in accordance with the usual practices (including blocking the relevant account) of the relevant clearing system.

5 VALIDITY OF BLOCK VOTING INSTRUCTIONS

A Block Voting Instruction shall be valid only if it is deposited at the Specified Office of the Paying Agent, or at some other place approved by the Paying Agent, at least 24 hours before the time fixed for the relevant Meeting or the Chairman decides otherwise before the Meeting proceeds to business. If the Paying Agent requires, a notarised copy of each Block Voting Instruction and satisfactory proof of the identity of each Proxy named therein shall be produced at the Meeting, but the Paying Agent shall not be obliged to investigate the validity of any Block Voting Instruction or the authority of any Proxy.

6 CONVENING OF MEETING

The Issuer may convene a Meeting at any time, and shall be obliged to do so upon the request in writing of Noteholders holding not less than one tenth of the aggregate principal amount of the outstanding Notes.

7 NOTICE

At least 21 days' notice (exclusive of the day on which the notice is given and of the day on which the relevant Meeting is to be held) specifying the date, time and place of the Meeting shall be given to the Noteholders and the Paying Agents (with a copy to the Issuer). The notice shall set out the full text of any resolutions to be proposed and shall state that the Notes may be blocked in an account with the relevant Monte Titoli Account Holder for the purpose of obtaining Voting Certificates or appointing Proxies not later than 48 hours before the time fixed for the Meeting.

8 CHAIRMAN

An individual (who may, but need not, be a Noteholder) nominated in writing by the Issuer may take the chair at any Meeting but, if no such nomination is made or if the individual nominated is not present within 15 minutes after the time fixed for the Meeting, those present shall elect one of themselves to take the chair failing which, the Issuer may appoint a Chairman. The Chairman of an adjourned Meeting need not be the same person as was the Chairman of the original Meeting.

9 QUORUM

The quorum at any Meeting shall be at least one Voter representing or holding not less than the Relevant Fraction of the aggregate principal amount of the outstanding Notes.

10 ADJOURNMENT FOR WANT OF QUORUM

If within 15 minutes after the time fixed for any Meeting a quorum is not present, then:

(a) in the case of a Meeting requested by Noteholders, it shall be dissolved; and

(b) in the case of any other Meeting, it shall be adjourned for such period (which shall be not less than 14 days and not more than 42 days) and to such place as the Chairman determines; *provided, however, that*:

(i) the Meeting shall be dissolved if the Issuer so decides; and

(ii) no Meeting may be adjourned more than once for want of a quorum.

11 ADJOURNED MEETING

The Chairman may, with the consent of (and shall if directed by) any Meeting, adjourn such Meeting from time to time and from place to place, but no business shall be transacted at any adjourned Meeting except business which might lawfully have been transacted at the Meeting from which the adjournment took place.

12 NOTICE FOLLOWING ADJOURNMENT

Paragraph 7 (*Notice*) shall apply to any Meeting which is to be resumed after adjournment for want of a quorum save that:

(a) 10 days' notice (exclusive of the day on which the notice is given and of the day on which the Meeting is to be resumed) shall be sufficient; and

(b) the notice shall specifically set out the quorum requirements which will apply when the Meeting resumes.

It shall not be necessary to give notice of the resumption of a Meeting which has been adjourned for any other reason.

13 PARTICIPATION

The following may attend and speak at a Meeting:

(a) Voters;

(b) representatives of the Issuer and the Paying Agent;

(c) the financial advisers of the Issuer;

(d) the legal counsel to the Issuer and the Paying Agent; and

(e) any other person approved by the Meeting.

14 SHOW OF HANDS

Every question submitted to a Meeting shall be decided in the first instance by a show of hands. Unless a poll is validly demanded before or at the time that the result is declared, the Chairman's declaration that on a show of hands a resolution has been passed, passed by a particular majority, rejected or rejected by a particular majority shall be conclusive, without proof of the number of votes cast for, or against, the resolution. Where there is only one Voter, this paragraph shall not apply and the resolution will immediately be decided by means of a poll.

15 POLL

A demand for a poll shall be valid if it is made by the Chairman, the Issuer or one or more Voters representing or holding not less than one fiftieth of the aggregate principal amount of the outstanding Notes. The poll may be taken immediately or after such adjournment as the Chairman directs, but any poll demanded on the election of the Chairman or on any question of adjournment shall be taken at the Meeting without adjournment. A valid demand for a poll shall not prevent the continuation of the relevant Meeting for any other business as the Chairman directs.

16 VOTES

Every Voter shall have:

(a) on a show of hands, one vote; and

(b) on a poll, the number of votes obtained by dividing that fraction of the aggregate principal amount of the outstanding Note(s) represented or held by him by the unit of currency in which the Notes are denominated.

In the case of a voting tie the Chairman shall have a casting vote.

Unless the terms of any Block Voting Instruction state otherwise, a Voter shall not be obliged to exercise all the votes to which he is entitled or to cast all the votes which he exercises in the same way.

17 VALIDITY OF VOTES BY PROXIES

Any vote by a Proxy in accordance with the relevant Block Voting Instruction shall be valid even if such Block Voting Instruction or any instruction pursuant to which it was given has been amended or revoked, ***provided that*** the Paying Agent has not been notified in writing of such amendment or revocation by the time which is 48 hours before the time fixed for the relevant Meeting. Unless revoked, any appointment of a Proxy under a Block Voting Instruction in relation to a Meeting shall remain in force in relation to any resumption of such Meeting following an adjournment; ***provided, however, that***, unless the Block Voting Instructions specify otherwise, no such appointment of a Proxy in relation to a Meeting originally convened which has been adjourned for want of a quorum shall remain in force in relation to such Meeting when it is resumed and any person appointed to vote at such a Meeting must be re-appointed under a further Block Voting Instruction to vote at the Meeting when it is resumed.

18 POWERS

A Meeting shall have power (exercisable by Extraordinary Resolution), without prejudice to any other powers conferred on it or any other person:

(a) to approve any Reserved Matter;

(b) to approve any proposal by the Issuer for any modification, abrogation, variation or compromise of any of the Conditions or any arrangement in respect of the obligations of the Issuer under or in respect of the Notes;

(c) to approve the substitution of any person for the Issuer (or any previous substitute) as principal obligor under the Notes;

(d) to waive any breach or authorise any proposed breach by the Issuer of its obligations under or in respect of the Notes or any act or omission which might otherwise constitute an event of default under the Notes;

(e) to authorise the Paying Agent or any other person to execute all documents and do all things necessary to give effect to any Extraordinary Resolution;

(f) to give any other authorisation or approval which is required to be given by Extraordinary Resolution; and

(g) to appoint any persons as a committee to represent the interests of the Noteholders and to confer upon such committee any powers which the Noteholders could themselves exercise by Extraordinary Resolution.

19 EXTRAORDINARY RESOLUTION BINDS ALL HOLDERS

An Extraordinary Resolution shall be binding upon all Noteholders whether or not present at such Meeting and each of the Noteholders shall be bound to give effect to it accordingly. Notice of the result of every vote on an Extraordinary Resolution shall be given to the Noteholders and the Paying Agents (with a copy to the Issuer) within 14 days of the conclusion of the Meeting.

20 MINUTES

Minutes shall be made of all resolutions and proceedings at each Meeting. The Chairman shall sign the minutes, which shall be *prima facie* evidence of the proceedings recorded therein.

Unless and until the contrary is proved, every such Meeting in respect of the proceedings of which minutes have been summarised and signed shall be deemed to have been duly convened and held and all resolutions passed or proceedings transacted at it to have been duly passed and transacted.

21 WRITTEN RESOLUTION

A Written Resolution shall take effect as if it were an Extraordinary Resolution.

FORM OF FINAL TERMS

The Final Terms in respect of each Tranche of Notes will be substantially in the following form, duly completed to reflect the particular terms of the relevant Notes and their issue. Unless otherwise specified, the term "Terms and Conditions" or "Conditions" shall refer to the Terms and Conditions of the Notes and any reference to a "Condition" shall be to a Condition under the Terms and Conditions of the Notes.

[**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**EU MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**EU Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.]

[**PROHIBITION OF SALES TO UK RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the Financial Services and Markets Act 2000 (the "**FSMA**") to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]

EU MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, "EU MiFID II")][MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to EU MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.

[**UK MIFIR PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (ii) all channels for distribution of the [Notes] to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*]. Any person subsequently offering, selling or recommending the [Notes] (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the [Notes] (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels]

OR

[**EU MIFID II PRODUCT GOVERNANCE / RETAIL INVESTORS, PROFESSIONAL INVESTORS AND ECPS TARGET MARKET** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties, professional clients and retail clients, each as defined in [Directive 2014/65/EU (as amended, "EU MiFID II")][MiFID II]; EITHER [and (ii) all channels for distribution of the Notes are appropriate[, including investment advice, portfolio management, non-advised sales and pure execution services]] OR [(ii) all channels for distribution to eligible counterparties and professional clients are appropriate; and (iii) the following channels for distribution of the Notes to retail clients are appropriate – investment advice[,/ and] portfolio management[,/ and][non-advised sales][and pure execution services][, subject to the distributor's suitability and appropriateness obligations under MiFID II, as applicable]]. [*Consider any negative target market*]. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to EU MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels[, subject to the distributor's suitability and appropriateness obligations under MiFID II, as applicable].]]

[**UK MIFIR PRODUCT GOVERNANCE / RETAIL INVESTORS, PROFESSIONAL INVESTORS AND ECPS TARGET MARKET** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is retail clients, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"), and eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA ("**UK MiFIR**"); EITHER [and (ii) all channels for distribution of the Notes are appropriate, including investment advice, portfolio management, non-advised sales and pure execution services] OR [(ii) all channels for distribution to eligible counterparties and professional clients are appropriate; and (iii) the following channels for distribution of the Notes to retail clients are appropriate - investment advice[,/ and] portfolio management[,/ and][non-advised sales][and pure execution services][, subject to the distributor's suitability and appropriateness obligations under COBS, as applicable]]. [*Consider any negative target market*]. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules"**) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels[, subject to the distributor's suitability and appropriateness obligations under COBS, as applicable].]]

Final Terms dated [•]

Legal Entity Identifier (LEI) 529900N2ZB1B52JB2F83

CASSA CENTRALE RAIFFEISEN DELL'ALTO ADIGE S.p.A.

Issue of [*Aggregate Nominal Amount of Tranche*] [*Title of Notes*]
under the
€750,000,000
Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes] (the "**Conditions**") set forth in the base prospectus dated 10 August 2023 (the "**Base Prospectus**") [and the supplement[s] to the Base Prospectus dated [*date*] [and [*date*]], which [together] constitute[s] a base prospectus for the purposes of Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). This document constitutes the Final Terms of the Notes described herein for the purposes of the Prospectus Regulation and must be read in conjunction with the Base Prospectus in order to obtain all the relevant information.]

The following alternative language applies if the first tranche of an issue which is being increased was issued under the previous base prospectus and the relevant terms and conditions from that base prospectus with an earlier date were incorporated by reference in this Base Prospectus.

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Italian Law Notes (the "**Conditions**") in the Base Prospectus dated 7 July 2022. These Final Terms contain the final terms of the Notes and must be read in conjunction with the Base Prospectus dated 10 August 2023 [and the supplement to the Base Prospectus dated [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Regulation, save in respect of the Conditions which are set forth in the base prospectus dated 7 July 2022 and are incorporated by reference in the Base Prospectus. This document constitutes the Final Terms relating to the issue of Notes described herein for the purposes of the Prospectus Regulation.]

A summary of the individual issue is annexed to these Final Terms.

Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus [and the supplement dated [•]]. The Base Prospectus [and the supplement] [is/are] available for viewing at the registered office[s] of the Issuer at Via Laurin 1 39100 Bolzano, Italy, during usual business hours and free of charge. The Base Prospectus [and the supplement] and, in the case of Notes admitted to trading on the regulated market of the Luxembourg Stock Exchange, the applicable Final Terms will also be published on the website of the Luxembourg Stock Exchange (www.luxse.com).

(*Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.*)

(*When completing any final terms, consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 23 of the Prospectus Regulation.*)

1.	(i)	Series Number:	[•]

	(ii)	Tranche Number:	[•]
2.	If the Notes are fungible with an existing Series:		
	(i)	Details of existing Series:	[The Notes are to be consolidated and form a single Series with [*identify earlier Tranches*] issued by the Issuer on [*issue dates of earlier Tranches*] (the "**Existing Notes**") / Not Applicable]
	(ii)	Date on which the Notes will be consolidated and form a single Series:	[Issue Date / Not Applicable]
3.	Specified Currency or Currencies:		[•]
4.	Aggregate Nominal Amount:		
	(i)	Series:	[Up to] [•]
	(ii)	Tranche:	[Up to] [•] [The Aggregate Nominal Amount will not exceed [•] and will be determined at the end of the Offer Period (as defined in paragraph 9 of Part B below) [provided that, during the Offer Period the Issuer will be entitled to increase the Aggregate Nominal Amount.]]
5.	Issue Price:		[•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
6.	(i)	Specified Denominations: (as referred to in Condition 3 (*Form, Denomination and Title*))	[•] [and integral multiples of [•] in excess thereof up to and including [•]. No Notes in definitive form will be issued with a denomination above [•]]. *(In the case of Senior Non-Preferred Notes, Notes must have a minimum denomination of €150,000 (or equivalent); in the case of Subordinated Notes, Notes must have a minimum denomination of €200,000 (or equivalent); and in the case of Senior Notes, Notes must have a minimum denomination of €1,000 (or equivalent), or, in each case, such other minimum denomination provided by applicable law from time to time)*
	(ii)	Calculation Amount: (as referred to in Conditions 8(d) (*Calculation of Interest Amount*) and 9(f) (*Calculation of Interest Amount*))	[•] (*If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. There must be a common factor in the case of two or more Specified Denominations.*)
7.	(i)	Issue Date:	[•]

	(ii) Interest Commencement Date (if different from the Issue Date):	[*Specify*/Issue Date/Not Applicable]
8.	Maturity Date:	[The Interest Payment Date] [•] (*For Floating Rate Notes*, *specify the relevant month and year. Otherwise, specify a date.*) (*Subordinated Notes must have a minimum maturity of five years.*) (*If the Maturity Date is less than one year from the Issue Date and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, (i) the Notes must have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be sold only to "professional investors" or (ii) another applicable exemption from section 19 of the Financial Services and Markets Act 2000 must be available.*)
9.	Interest Basis: (as referred to in Conditions 8 (*Fixed Rate Note Provisions*), 9 (*Floating Rate Note Provisions*) and 10 (*Zero Coupon Note Provisions*))	[[•] per cent Fixed Rate [subject to resetting on [the / each] Reset Date]] / [[*Specify Reference Rate*] +/- [•] per cent Floating Rate] / [Fixed to Floating Rate Note Provisions] / [Floating to Fixed Rate Note Provisions] / [Zero Coupon] (further particulars specified in paragraph [14/15/16/17/18] below)
10.	Change of Interest Basis:	[Applicable (see paragraph [14 (*Fixed to Floating Rate Note* Provisions) / 15 (*Floating to Fixed Rate Note* Provisions)] / Not Applicable)]
11.	Redemption/Payment Basis	Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [[•]/[100]] per cent. of their nominal amount.
12.	Put/Call Options: (as referred to in Conditions 11(c) (*Redemption for regulatory reasons*) to (h) (*Issuer Call Due to a MREL Disqualification Event*)) and Condition 11(n) (*Clean-up Redemption at the option of the Issuer*)	[Investor Put (further particulars specified in paragraph 21 below)] / [Issuer Call (further particulars specified in paragraph 19 below)] / [Redemption for regulatory reasons (further particulars specified in paragraph 20 below)] [Issuer Call due to MREL Disqualification Event

		(further particulars specified in paragraph 22 below)] [Clean-up Redemption at the option of the Issuer (further particulars specified in paragraph 23 below)] [Not Applicable]
13.	Status of the Notes:	[Senior/Senior Non-Preferred/Subordinated] Notes

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14.	**Fixed to Floating Rate Note Provisions** (as referred to in Condition 7(b) (*Fixed to Floating Rate Note Provisions*))		[Applicable. See also paragraphs 16 (*Fixed Rate Note Provisions*) and 17 (*Floating Rate Note Provisions*) / Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Switch Option:	[Applicable/Not Applicable]
	(ii)	Switch Option Exercise Period:	[(*Insert start and end dates or specify maximum and minimum number of days prior to Switch Date. The end date must be at least 15 days prior to the Switch Date*) / Not Applicable]
	(iii)	Switch Date(s):	[Subject to exercise of the Switch Option,] [•] (*Delete the reference to the Switch Option if sub-paragraph (i) above is not applicable*)
15.	**Floating to Fixed Rate Note Provisions** (as referred to in Condition 7(c) (*Floating to Fixed Rate Note Provisions*))		[Applicable. See also paragraphs 16 (*Fixed Rate Note Provisions*) and 17 (*Floating Rate Note Provisions*) / Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Switch Option:	[Applicable/Not Applicable]
	(ii)	Switch Option Exercise Period:	[(*Insert start and end dates or specify maximum and minimum number of days prior to Switch Date. The end date must be at least 15 days prior to the Switch Date*) / Not Applicable]
	(iii)	Switch Date(s):	[Subject to exercise of the Switch Option,] [•] (*Delete the reference to the Switch Option if sub-paragraph (i) above is not applicable*)
16.	**Fixed Rate Note Provisions** (as referred to in Condition 8 (*Fixed Rate Note Provisions*))		[Applicable / [Applicable in respect of the Fixed Rate Interest Period[s] (*Only use this wording if the Fixed to Floating or Floating to Fixed Rate Note Provisions apply*)] / Not Applicable]

			(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Rate(s) of Interest:	[•] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear, subject to resetting on [the / each] Reset Date]
	(ii)	Interest Payment Date(s):	[•] in each year [adjusted in accordance with the Business Day Convention] (*N.B. This will need to be amended in the case of any long or short coupons*.)
	(iii)	Business Day Convention:	[Floating Rate Convention/FRN Convention/ Eurodollar Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ No adjustment]
	(iv)	Additional Business Centre(s):	[Not Applicable / Applicable (*indicate relevant city/cities*)]
	(v)	Fixed Coupon Amount(s):	[•] per Calculation Amount
	(vi)	Broken Amount(s):	[[•] per Calculation Amount, payable on [the Interest Payment Date falling in] [•] / Not Applicable]
	(vii)	Day Count Fraction:	[Actual/Actual (ICMA)]/ [Actual/365]/[Actual/Actual (ISDA)]/ [Actual/365(Fixed)]/ [Actual/360]/ [30/360]/[360/360]/[Bond Basis]/ [30E/360]/[Eurobond Basis]/ [30E/360 (ISDA)]
	(viii)	Fixed note resetting provisions:	[Applicable / Not Applicable] (*If not applicable, delete the remaining text of this sub-paragraph (vii)*)
		– Reset Date(s):	[•]
		– Mid-Swap Rate:	[Single Mid-Swap Rate / Mean Mid-Swap Rate]
		– Mid-Swap Maturity:	[•]
		– Relevant Screen Page:	[•]
		– Margin(s):	[+/-][•] per cent. per annum
		– Reference Rate:	[*Specify reference rate. For example, EURIBOR*]
17.	**Floating Rate Note Provisions** (as referred to in Condition 9 (*Floating Rate Note Provisions*))		[Applicable / [Applicable in respect of the Floating Rate Interest Period[s] (*Only use this wording if the Fixed to Floating or Floating to Fixed Rate Note Provisions apply*)] / Not Applicable]

		(If not applicable, delete the remaining sub-paragraphs of this paragraph.)
(i)	Specified Period(s):	[Not Applicable / (*Specify period*)] (*"Specified Period" and "Interest Payment Dates" are alternatives. A Specified Period, rather than Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert* "*Not Applicable*")
(ii)	Interest Payment Dates:	[Not Applicable / (*Specify dates*)] (*"Specified Period" and "Interest Payment Dates" are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert* "*Not Applicable*"*. Otherwise, specify the dates.*)
(iii)	Business Day Convention:	[Floating Rate Convention/FRN Convention/ Eurodollar Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ No adjustment]
(iv)	Additional Business Centre(s):	[Not Applicable / Applicable (*indicate relevant city/cities*)]
(v)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
(vi)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Paying Agent):	[[*Name*] shall be the Calculation Agent / Not Applicable] (*Specify* "*Not Applicable*" *if the Paying Agent is to perform this function*)
(vii)	Screen Rate Determination:	[Applicable / Not Applicable] (*If not applicable, delete the remaining text of this sub-paragraph (vii).*)
	– Reference Rate:	[*Specify reference rate. For example, EURIBOR or CMS Rate*]
	– Relevant Screen Page:	[*Specify screen page. For example, Reuters page EURIBOR01*] (*Where the CMS Rate is the Reference Rate, specify relevant screen page and any applicable headings and captions*)
	– Interest Determination Date(s):	[•] (*Where the CMS Rate is the Reference Rate and the Reference Currency is euro*): [Second day on

		which the T2 System is open prior to the start of each Interest Period]
		(*Where the CMS Rate is the Reference Rate and the Reference Currency is other than euro*): [Second [*specify type of day*] prior to the start of each Interest Period]
	– Relevant Time:	[*For example, 11.00 a.m. London time/Brussels time*]
	– Relevant Financial Centre:	[*For example, London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro*)]
	– [Reference Currency:] (*only relevant where the CMS Rate is the Reference Rate)*	[•]
	– [Designated Maturity:] (*only relevant where the CMS Rate is the Reference Rate)*	[•]
	– [Provisions relating to the occurrence of a Regulatory Event in case of a Benchmark Event:]	[Applicable/Not Applicable]
(viii)	ISDA Determination:	[Applicable / Not Applicable] (*If not applicable, delete the remaining text of this sub-paragraph (viii).*)
	– ISDA Definitions:	[2006 ISDA Definitions / 2021 ISDA Definitions]
	– Floating Rate Option:	[•] (*The Floating Rate Option should be selected from one of EUR-EURIBOR-Reuters (if 2006 ISDA Definitions apply) and EUR-EURIBOR (if 2021 ISDA Definitions apply) (each as defined in the ISDA Definitions). These are the options envisaged by the terms and conditions.*)
	– Designated Maturity:	[•]
	– Reset Date:	[•]/[as specified in the ISDA Definitions]/[the first day of the relevant Interest Period, subject to adjustment in accordance with the Business Day Convention set out in (ii) above and as specified in the ISDA Definitions]
	– ISDA Benchmarks Supplement:	[Applicable / Not Applicable]
(ix)	Margin(s):	[+/-][•] per cent. per annum
(x)	Minimum Rate of Interest:	[Not Applicable]/[•] per cent. per annum
(xi)	Maximum Rate of Interest:	[Not Applicable]/[•] per cent. per annum

	(xii)	Day Count Fraction:	[30E/360]/[Eurobond Basis]/ [Actual/Actual (ICMA)]/ [Actual/365]/[Actual/Actual (ISDA)]/ [Actual/365(Fixed)]/ [Actual/360]/ [30/360]/[360/360]/[Bond Basis]/ [30E/360 (ISDA)]
18.	**Zero Coupon Note Provisions** (as referred to in Condition 10 (*Zero Coupon Note Provisions*))		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	[Amortisation/Accrual] Yield:	[•] per cent. per annum
	(ii)	Reference Price:	[•]
	(iii)	Day Count Fraction:	[Actual/Actual (ICMA)]/ [Actual/365]/[Actual/Actual (ISDA)]/ [Actual/365(Fixed)]/ [Actual/360]/ [30/360]/[360/360]/[Bond Basis]/ [30E/360]/[Eurobond Basis]/ [30E/360 (ISDA)]

PROVISIONS RELATING TO REDEMPTION

19.	**Call Option** (as referred to in Condition 11(d) (*Redemption at the option of the Issuer*))		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Optional Redemption Date(s) (Call):	[•] (*If the Notes are Subordinated Notes, the Optional Redemption Date (Call) must not be earlier than five years after the Issue Date.*)
	(ii)	Optional Redemption Amount(s) (Call) and method, if any, of calculation of such amount(s):	[•] per Calculation Amount
	(iii)	If redeemable in part:	
		(a) Minimum Redemption Amount:	[•] per Calculation Amount
		(b) Maximum Redemption Amount:	[•] per Calculation Amount
20.	**Regulatory Call** (as referred to in Condition 11(c) (*Redemption for regulatory reasons*))		[Condition 11(c) is applicable/Not Applicable] (*If the Notes are not Subordinated Notes, insert "Not Applicable".*)
21.	**Put Option**		[Applicable/Not Applicable]

	(as referred to in Condition 11(f) (*Redemption at the option of Noteholders*))	(*If the Notes are Subordinated Notes, insert "Not Applicable". If not applicable, delete the remaining sub-paragraphs of this paragraph.*)
	(i) Optional Redemption Date(s) (Put):	[•]
	(ii) Optional Redemption Amount(s) (Put) and method, if any, of calculation of such amount(s):	[•] per Calculation Amount
22.	**Issuer Call due to MREL Disqualification Event:**	[Applicable]/[Not Applicable] (*Only relevant in the case of Senior Non-Preferred Notes*)
	(a) Notice period for Condition 11(h) (*Issuer Call Due to a MREL Disqualification Event*):	[Minimum period: [•] days Maximum period: [•] days] (*Please consider that not less than the minimum period nor more than maximum period of notice has to be sent to the Paying Agent and, in accordance with Condition 19 (Notices), the Noteholders*) (*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent*)
	(b) Early Redemption Amount payable on redemption upon the occurrence of a MREL Disqualification Event as contemplated by Condition 11(h) (*Issuer Call Due to a MREL Disqualification Event*):	[•] per Calculation Amount/[•]
23.	**Clean-up Redemption at the option of the Issuer**	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub paragraphs of this paragraph*)
	(a) Clean-Up Percentage	[75 per cent. / [•] per cent.]
	(b) Clean-Up Redemption Amount and method, if any, of calculation of such amount(s):	[•] per Calculation Amount / [•]
24.	**Early Redemption Amount / Early Termination Amount**	
	Early Redemption Amount(s) of each Note payable on redemption for taxation or regulatory reasons or Early	[Not Applicable / [•] per Calculation Amount] (*Select "Not Applicable" if the Early Redemption Amount (Tax), the Early Redemption Amount*

	Termination Amount on event of default and/or the method of calculating the same (if required or if different from that set out in the Conditions): (as referred to in Conditions 11(b) (*Redemption for tax reasons*) and (c) (*Redemption for regulatory reasons*) and 14 (*Events of Default*))	*(Regulatory Event) and the Early Termination Amount are the principal amount of the Notes. Otherwise, specify the Early Redemption Amount (Tax) and/or Early Redemption Amount (Regulatory Event) and/or the Early Termination Amount if different from the principal amount of the Notes*)

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25.	Form of Notes: (as referred to in ["*Forms of the Notes*" on pages [•] to [•] of the Base Prospectus])	Dematerialised Notes held by Monte Titoli on behalf of the beneficial owners, until redemption or cancellation thereof, for the account of the relevant Monte Titoli Account Holders
26.	Additional Financial Centre(s) or other special provisions relating to Payment Dates: (as referred to in the definition of "Payment Business Day" in Condition 2(a) (*Definitions*) and described in Condition 12(c) (*Payments on business days*))	[Not Applicable*/indicate relevant city/cities*] (*Note that this item relates to the date and place of payment, and not interest period end dates, to which items 16(iv) and 17(iv) relate.*)

Signed on behalf of the Issuer:

By: ………………………………………………...
Duly authorised

PART B – OTHER INFORMATION

1. **LISTING AND ADMISSION TO TRADING**

(i)	Listing:	[Official List of the Luxembourg Stock Exchange / [•] (*specify other place of listing*) / Not Applicable]
(ii)	Admission to trading:	[Application [has been/is expected to be] made for the Notes to be admitted to trading on the [regulated market of the Luxembourg Stock Exchange / [•] (*specify other securities market*)] with effect from [•]] / [Not Applicable.] [The Existing Notes are already admitted to trading on the [regulated market of the Luxembourg Stock Exchange / [•]] (*specify other securities market*).] (*Insert wording in this second sub-paragraph only if the Notes are fungible with an existing Series and are admitted to trading on a securities market.*)
(iii)	Estimate of total expenses related to admission to trading:	[*Specify amount*] / [Not Applicable] (*Specify "Not Applicable" only if the Notes are not being admitted to trading on any EEA regulated market.*)
(iv)	Trade Date:	[•]

2. **RATINGS**

Ratings:	The Notes to be issued [[have been]/[are expected]/[are not expected]] to be rated: [Moody's: [•]] [Other: [•]] (*Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.*) (*The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.*) ***Option 1 - CRA established in the EEA and registered under the EU CRA Regulation and details of whether rating is endorsed by a credit rating agency established and registered in the UK or certified under the UK CRA Regulation*** [*Insert legal name of particular credit rating agency entity providing rating*] is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "**EU CRA Regulation**"). [[*Insert legal name of particular credit rating agency entity providing rating*] appears on the latest update of the list of

registered credit rating agencies (as of [*insert date of most recent list*]) on the ESMA website http://www.esma.europa.eu.]. [The rating [*Insert legal name of particular credit rating agency entity providing rating*] has given to the Notes is endorsed by [*insert legal name of credit rating agency*], which is established in the UK and registered under Regulation (EU) No 1060/2009 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "**UK CRA Regulation**").] /[[*Insert legal name of particular credit rating agency entity providing rating*] has been certified under Regulation (EU) No 1060/2009 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "**UK CRA Regulation**").]/ [[*Insert legal name of particular credit rating agency entity providing rating*] has not been certified under Regulation (EU) No 1060/2009, as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "**UK CRA Regulation**") and the rating it has given to the Notes is not endorsed by a credit rating agency established in the UK and registered under the UK CRA Regulation.]

Option 2 - CRA established in the EEA, not registered under the EU CRA Regulation but has applied for registration and details of whether rating is endorsed by a credit rating agency established and registered in the UK or certified under the CRA Regulation (UK)

[*Insert legal name of particular credit rating agency entity providing rating*] is established in the EEA and has applied for registration under Regulation (EU) No 1060/2009, as amended (the "**EU CRA Regulation**"), although notification of the corresponding registration decision has not yet been provided by the [relevant competent authority] /[European Securities and Markets Authority]. [[*Insert legal name of particular credit rating agency entity providing rating*] appears on the latest update of the list of registered credit rating agencies (as of [*insert date of most recent list*]) on the ESMA website http://www.esma.europa.eu.]. [The rating [*Insert legal name of particular credit rating agency entity providing rating*] has given to the Notes is endorsed by [*insert legal name of credit rating agency*], which is established in the UK and registered under Regulation (EU) No 1060/2009 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "**UK CRA Regulation**").] /[[*Insert legal name of particular credit* *rating agency entity providing rating*] has been certified under Regulation (EU) No 1060/2009 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "**UK CRA Regulation**").]/ [[*Insert legal name of particular credit rating agency entity providing rating*] has not been certified under Regulation (EU) No 1060/2009, as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "**UK CRA Regulation**") and the rating it has given to the Notes is not endorsed by a credit rating agency established in the UK and registered under the UK CRA Regulation.]

Option 3 - CRA established in the EEA, not registered under the EU CRA Regulation and not applied for registration and details of whether rating is endorsed by a credit rating agency established and registered in the UK or certified under the UK CRA Regulation

[*Insert legal name of particular credit rating agency entity providing rating*] is established in the EEA and is neither registered nor has it applied for registration under Regulation (EU) No 1060/2009, as amended (the "**EU CRA Regulation**"). [[*Insert legal name of particular credit rating agency entity providing rating*] appears on the latest update of the list of registered credit rating agencies (as of [*insert date of most recent list*]) on the ESMA website http://www.esma.europa.eu.]. [The rating [*Insert legal name of particular credit rating agency entity providing rating*] has given to the Notes is endorsed by [*insert legal name of credit rating agency*], which is established in the UK and registered under Regulation (EU) No 1060/2009 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "**UK CRA Regulation (UK)**").] /[[*Insert legal name of particular credit rating agency entity providing rating*] has been certified under Regulation (EU) No 1060/2009 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "**UK CRA Regulation**").]/ [[*Insert legal name of particular credit rating agency entity providing rating*] has not been certified under Regulation (EU) No 1060/2009, as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "**UK CRA Regulation**") and the rating it has given to the Notes is not endorsed by a credit rating agency established in the UK and registered under the UK CRA Regulation.]

Option 4 - CRA established in the UK and registered under the UK CRA Regulation and details of whether rating is endorsed by a credit rating agency established and registered in the EEA or certified under the EU CRA Regulation

[*Insert legal name of particular credit rating agency entity providing rating*] is established in the UK and registered under Regulation (EU) No 1060/2009 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "**UK CRA Regulation**"). [[*Insert legal name of particular credit rating agency entity providing rating*] appears on the latest update of the list of registered credit rating agencies (as of [*insert date of most recent list*]) on [FCA]. [The rating [*Insert legal name of particular credit rating agency entity providing rating*] has given to the Notes to be issued under the Programme is endorsed by [insert legal name of credit rating agency], which is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "**EU CRA Regulation**").] [[*Insert legal name of particular credit rating agency entity providing rating*] has been certified under Regulation (EU) No 1060/2009, as amended (the "**EU CRA Regulation**").] [[*Insert legal name of particular credit rating agency entity providing rating*] has not been certified under Regulation (EU) No 1060/2009, as amended (the "**UK CRA Regulation**") and the rating it has given to the Notes is not endorsed by a credit rating agency established in the EEA and registered under the EU CRA Regulation.]

Option 5 - CRA not established in the EEA or the UK but relevant rating is endorsed by a CRA which is established and registered under the CRA Regulation (EU) AND/OR under the CRA Regulation (UK)

[*Insert legal name of particular credit rating agency entity providing rating*] is not established in the EEA or the UK but the rating it has given to the Notes to be issued under the Programme is endorsed by [[*insert legal name of credit rating agency*], which is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "**EU CRA Regulation**")][and][[*insert legal name of credit rating agency*], which is established in the UK and registered under Regulation (EU) No 1060/2009 as it forms part of domestic law of the United Kingdom virtue of the

European Union (Withdrawal) Act 2018 (the "**UK CRA Regulation**")].

Option 6 - CRA not established in the EEA or the UK and relevant rating is not endorsed under the EU CRA Regulation or the UK CRA Regulation but is certified under the EU CRA Regulation AND/OR under the UK CRA Regulation

[*Insert legal name of particular credit rating agency entity providing rating*] is not established in the EEA or the UK but is certified under [Regulation (EU) No 1060/2009, as amended (the "**EU CRA Regulation**")][and][Regulation (EU) No 1060/2009 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "**UK CRA Regulation**")].

Option 7 - CRA neither established in the EEA or the UK nor certified under the EU CRA Regulation or the UK CRA Regulation and relevant rating is not endorsed under the EU CRA Regulation or the UK CRA Regulation

[*Insert legal name of particular credit rating agency entity providing rating*] is not established in the EEA or the UK and is not certified under Regulation (EU) No 1060/2009, as amended (the "**EU CRA Regulation**") or Regulation (EU) No 1060/2009 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "**UK CRA Regulation")** and the rating it has given to the Notes is not endorsed by a credit rating agency established in either the EEA and registered under the EU CRA Regulation or in the UK and registered under the UK CRA Regulation

3. **AUTHORISATIONS**

[Date [Board] approval for issuance of Notes obtained:	[•] [and [•], respectively] (*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes*)]

4. **INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE**

[Not Applicable / (*give details*)]

(*Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:*

"Save for any fees payable to the Dealers and save as discussed in the section of the Base Prospectus entitled "Potential Conflict of Interests" under the "General Information" section, so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer. The Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.")

(*When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 23 of the Prospectus Regulation.*)

5. **YIELD**

Indication of yield:	[Not Applicable / (*Insert percentage*)] (*State "Not Applicable" if the Notes are not Fixed Rate Notes.*)

6. **PERFORMANCE OF RATES** (Floating Rate Notes)

[Details of performance of [EURIBOR/ /CMS Rate/] rates can be obtained, [but not] free of charge, from [Reuters/Bloomberg/*give details of electronic means of obtaining the details of performance*].] [Not Applicable]

7. **REASONS FOR THE OFFER [AND/,] ESTIMATED NET PROCEEDS [AND TOTAL EXPENSES]**

(i)	Reasons for the offer	[•] [*Hyperlinks to the second party opinion and the Sustainability Bond Framework to be included if the Bond is issued as a Green Bond, a Climate Bond, a Social Bond, or a Sustainability Bond*] *[See "Use of Proceeds" wording in Base Prospectus. If reasons for offer different from making profit general corporate purposes (for example for an issuance of a Green Bond, a Climate Bond, a Social Bond, or an issuance of a Sustainability Bond, will need to include those reasons here.)]*
(ii)	Estimated net proceeds:	[•] *(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)*
[(iii)]	Estimated total expenses	[•]

8. **THIRD PARTY INFORMATION**

[Not Applicable / [•] has been extracted from [•]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [•], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

9. **DISTRIBUTION**

(i)	Method of distribution:	[Syndicated/Non-syndicated]

(ii)	If syndicated, names and addresses of Managers and underwriting commitments:	[Not applicable/*give names, address and underwriting commitments*] (*Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.*)
(iii)	Date of [Subscription Agreement/Other Agreement]	[•]/[Not Applicable]
(iv)	Name of Stabilisation Manager(s) (if any):	[Not Applicable/*give name*]
(v)	If non-syndicated, name of Dealer:	[Not applicable/*give name*]
(vi)	U.S. selling restrictions:	Reg. S compliance category [1/2/3]; TEFRA [C/D/not applicable]
(vii)	Prohibition of Sales to EEA Retail Investors:	[Applicable]/[Not Applicable] (If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no key information document will be prepared, "Applicable" should be specified.)
(viii)	Prohibition of Sales to UK Retail Investors:	[Applicable]/[Not Applicable] (If the Notes clearly do not constitute "packaged" products, or the Notes do constitute "packaged" products and a key information document will be prepared in the UK, "Not Applicable" should be specified. If the Notes may constitute "packaged" products, "Applicable" should be specified.)
(ix)	[Non-exempt Offer [where there is no exemption from the obligation under the Prospectus Regulation to publish a prospectus]]:	[Applicable] / [Not Applicable] (*if not applicable, delete the remaining placeholders of this paragraph (ix) and also paragraph [Non-exempt Offer Jurisdictions] below*)
[Non-exempt Offer Jurisdictions]:		*[Specify relevant Member State(s) where the issuer intends to make Non-exempt Offers (note that the Base Prospectus includes the Republic of Italy as the State where the issuer has passported the Base Prospectus and any supplements and from which the relevant Non-exempt Offer Jurisdictions should be selected in addition to Luxembourg)]*
Offer Period:		From [*Specify the start date(s)] until [specify end-date(s)/give details*]

Financial intermediaries granted specific consent to use the Base Prospectus in accordance with the Conditions in it:	[*Insert names and addresses of financial intermediaries receiving consent (specific consent)*/Not Applicable]
General Consent:	[Not Applicable][Applicable]
Other Authorised Offeror Terms conditions to consent:	[Not Applicable][*Add here any other Authorised Offeror Terms*] (*Authorised Offeror Terms should only be included here where General Consent is applicable*) (*Consider any local regulatory requirements necessary to be fulfilled so as to be able to make a non-exempt offer in relevant jurisdictions. No such offer should be made in any relevant jurisdiction until those requirements have been met. Non-exempt offers may only be made into jurisdictions in which the base prospectus (and any supplement) has been notified/passported.*)
[Total commission and concession]	[Not to be completed if subparagraph 9(ix) above is specified to be Not Applicable because there is no Non-exempt Offer] [[•] per cent. of the Aggregate Nominal Amount][give details where applicable]

10. **BENCHMARKS**	*Amounts payable under the Notes will be calculated by reference to [EURIBOR/CMS Rate] which is provided by [ICE Benchmark Administration. European Money Markets Institute/specify other]. As at [insert date] [ICE Benchmark Administration. European Money Markets Institute/specify other], [appears/does not appear] on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority pursuant to Article 36 of the Benchmarks Regulation (Regulation (EU) No. 2016/1011) (the "**BMR**").* *[As far as the Issuer is aware, [•] [does/do] not fall within the scope of the BMR by virtue of Article 2 of that regulation] / [the transitional provisions in Article 51 of the Benchmark Regulation apply], such that [•] is not currently required to obtain authorisation or registration (or, if located outside the European Union, recognition, endorsement or equivalence).]*

11. **OPERATIONAL INFORMATION**

(*Select one of the two options below if the Notes are fungible with an existing Series.*)

ISIN:	[•]

[Common Code:]	[•]
Delivery	Delivery [against/free of] payment
Any clearing system(s) other than Monte Titoli, Euroclear Bank SA/NV and Clearstream Banking, société anonyme and the relevant identification number(s):	[Not Applicable/*give name(s), address(es) and number(s)*]
Names and addresses of additional Paying Agent(s) (if any):	[Not Applicable/*give name(s) and address(es)*]

12. **TERMS AND CONDITIONS OF THE OFFER**

(Whole section not to be completed if subparagraph 9(ix) above is specified to be Not Applicable because there is no Non-exempt Offer)

(a)	Offer Price:	[Issue Price/Not Applicable/specify]
(b)	Conditions to which the offer is subject:	[Not Applicable/*give details*]
(c)	Description of the application process and categories of potential investors to which the securities can be offered:	[A prospective investor will subscribe for Notes in accordance with the arrangements agreed with the relevant authorized intermediary relating to the subscription of securities generally/*give details (also on various categories of potential investors to which the securities can be offered)*/Not Applicable]
(d)	Details of the minimum and/or maximum amount of the application:	[Not Applicable/*give details*]
(e)	Description of possibility to reduce subscriptions and manner for refunding amounts paid in excess by applicants:	[Not Applicable/*give details*]
(f)	Details of the method and time limits for paying up and delivering the Notes:	[Not Applicable/*give details*]
(g)	Manner in and date on which results of the offer are to be made public:	[Not Applicable/*give details*]
(h)	Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:	[Not Applicable/*give details*]

(i)	Whether tranche(s) have been reserved for certain countries:	[Not Applicable/*give details*]
(j)	Process for notifying applicants of the amount allotted and an indication whether dealing may begin before notification is made:	[Not Applicable/*give details*]
(k)	Amount of any expenses and taxes charged to the subscriber or purchaser:	[Not Applicable/*give details*] (*If the Issuer is subject to MiFID II and/or PRIIPs such that it is required to disclose information relating to costs and charges, also include that information*)
(l)	Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place and co-ordinator(s) of the global offer and of single parts of the offer:	[*insert name*] [*insert address*] [The Authorised Offerors identified in paragraph [9] above and identifiable from the Base Prospectus/None/*give details*]

DESCRIPTION OF THE ISSUER

Introduction and History

Cassa Centrale Raiffeisen dell'Alto Adige S.p.A., also known by its German corporate name Raiffeisen Landesbank Südtirol AG (the "**Issuer**"), was originally incorporated on 14 June 1973 by a group of 18 co-operative banks and co-operative companies, with a nominal share capital of 500,000,000 Italian lire (approximately €258,000). The Issuer's website is https://www.raiffeisen.it/en. The information on the website does not form part of this Base Prospectus unless that information is incorporated by reference into this Base Prospectus.

The Issuer is incorporated in and operates under the laws of Italy as a company limited by shares (*società per azioni*) and is registered with the Companies' Register (*Registro delle Imprese*) of the Chamber of Commerce of Bolzano, Italy, under registration number 00194450219. It is also registered with the register of banks (*albo delle banche*) held by Bank of Italy under registration number 3493.4. It is a member of the institutional protection scheme "Raiffeisen Südtirol IPS". Its registered office and headquarters is at Via Laurin 1, 39100 Bolzano, Italy and its telephone number is +39 0471 946511. As specified in its By-laws (*Statuto*), the Issuer has a duration until 31 December 2100, which may be extended by a resolution passed at an extraordinary shareholders' meeting.

The Issuer is the central bank for 39 (as at 31 December 2022) local co-operative banks (*Casse Raiffeisen* or "**Raiffeisen Banks**"), which are present with 166 branches in the territory known as South Tyrol (*Südtirol* in German or *Alto Adige* in Italian), which is one of the two autonomous provinces of the Trentino-Alto Adige/Südtirol region in north-eastern Italy ("**Alto Adige**"). According to its By-laws, the Issuer acts as a supporting structure within the Raiffeisen co-operative financial network (the "**Raiffeisen Network**"), a leading network in the banking market in Alto Adige. The Issuer's services are offered to supplement those already offered by Raiffeisen Banks and enable them to develop their own different banking operations. The objective of the Issuer is to promote and strengthen the Raiffeisen Banks and thereby increase their market share. In particular, the Issuer supports and coordinates the activities of the Raiffeisen Banks on the credit and financial markets by providing advisory and operational assistance in the affluent Alto Adige with its mixed German and Italian speaking population.

Reform of the Italian cooperative banks – the Raiffeisen Südtirol IPS

Following the enactment of Law No. 49 of 8 April 2016 providing for the reform of the Italian credit cooperative banks, the Issuer notified the Bank of Italy in September 2017 of its intention to establish a cooperative banking group with the Raiffeisen Banks of which it would have been the parent company.

Due to a change in the law on 17 December 2018 (Law No. 136), the Raiffeisen Banks (the Issuer's shareholders) obtained the possibility to choose between the creation of a cooperative banking group or an institutional protection scheme ("**IPS**") according to Article 113, paragraph 7 of the CRR.

In December 2018 the Raiffeisen Banks opted for an IPS, which the Issuer also decided to join.

On 4 November 2020 the newly established cooperative entity "Raiffeisen Südtirol IPS" received the authorization from the Bank of Italy. The IPS is referred to in Article 113(7) of Regulation (EU) No. 575/2013 as a statutory liability arrangement which protects its member institutions and ensures that they have the liquidity and solvency needed to avoid bankruptcy where necessary. Its member institutions, the 39 Raiffeisen Banks, Cassa Centrale Raiffeisen dell'Alto Adige S.p.A. (the "Issuer") and RK Leasing S.r.l., will gradually transfer funds up to Euro 90-100 million within 2028. As at 31 December 2022 the market value of the transferred funds amounts to Euro 40.0 million.

Business Overview and Principal Markets

The Issuer's principal businesses range from supporting to coordinating the activities of the Raiffeisen Banks on the credit and financial markets. The Issuer provides accounting, risk management and clearing services to its shareholders and supports them with the structuring and managing of pool financings through a specific credit department of the Issuer. The Issuer also acts as a traditional commercial bank through a specific office which is used as point of contact for business and private customers.

The area of Alto Adige comprises the province of Bolzano, which is an autonomous entity within the autonomous region of Trentino-Alto Adige and enjoys a high degree of political and financial autonomy from the Italian central government. As a result, the local economy benefits from generous public funding and a high degree of self-government, especially in areas such as budgeting and public spending. Its geographical location at the crossroads of the affluent regions of Trentino-Alto Adige, Veneto and Friuli Venezia Giulia in north-eastern Italy, Tyrol in Austria and Bavaria in southern Germany has also contributed to the development of a healthy economy based on tourism, industry and agriculture. The economy of the province of Bolzano has generally performed better than the national average in Italy, with lower unemployment (2.3 per cent. in 2022 in comparison to the Italian average of 8.2 per cent.) and an inflation rate, in terms of annual average rate of change, of 9.9 per cent. in 2022 (compared to 8.4 per cent nationwide) (*Source*: For national figures, ISTAT (*Istituto Nazionale di Statistica* or the Italian National Statistics Office) and, for provincial figures, ASTAT (*Istituto Provinciale di Statistica* or the Provincial Statistics Office of the Autonomous Province of Bolzano)). This is also reflected by a high standard of living and high household savings rates.

As at 31 December 2021, the Alto Adige banking sector comprised 49 banks. This figure includes the Issuer, 41 Raiffeisen Banks which are shareholders of the Issuer, Banca Popolare dell'Alto Adige S.p.A., in German, Südtiroler Volksbank AG ("**BPAA**"), Cassa di Risparmio di Bolzano S.p.A., in German, Südtiroler Sparkasse AG ("**CR Bolzano**"), and five other banks. (*Source*: Bank of Italy research published by its Trento and Bolzano branches in June 2022).

The bilingual status of Alto Adige provides a natural barrier to banks outside this area, which explains the relatively limited presence of the largest Italian banks, as well as of neighbouring foreign banks. As a result, the main competitors to the Issuer are BPAA and CR Bolzano.

Ratings

On 9 August 2022, Moody's Investors Service ("**Moody's**") changed the outlook to negative and affirmed the deposit, senior unsecured debt and issuer ratings. This action follows the outlook change to negative from stable on the Italian government's Baa3 debt rating.

List of affected ratings:

- Outlook changed to Negative(m) from Stable(m)
- Long-term Bank Deposits, affirmed Baa1, outlook changed to Negative from Stable
- Short-term Bank Deposits, affirmed P-2
- Long-term Issuer Ratings, affirmed Baa2, outlook changed to Developing from Positive
- Senior Unsecured, affirmed Baa2, outlook changed to Developing from Positive

All remaining ratings and assessments remained unchanged since the previous rating action of 24 September 2021.

- Long-term Counterparty Risk Ratings, affirmed Baa1

– Short-term Counterparty Risk Ratings, affirmed P-2

– Long-term Counterparty Risk Assessment, affirmed Baa2(cr)

– Short-term Counterparty Risk Assessment, affirmed P-2(cr)

– Baseline Credit Assessment, affirmed baa3

– Adjusted Baseline Credit Assessment, affirmed baa3

Information on the material changes in the Issuer's borrowing and funding structure since the last financial year

There are no material changes in the Issuer's borrowing and funding structure since the last financial year ended on 31 December 2022.

Description of the expected financing of the Issuer's activities

With regard to the Issuer's debt towards the ECB through the third series of targeted longer-term refinancing operations ("**TLTRO III**"), which will be due in different tranches up to December 2024, the Issuer plans to replace the central bank debt gradually. This will be carried out following the Issuer's funding plan, which re-arranges the bank's funding sources by increasing its bond issues on a long-term basis, as well as participating in the central bank's main refinancing operations ("**MROs**") on a short-term basis. In addition, the maturing TLTRO III refinancing operations will partially be absorbed by maturing government bonds in the bank's securities portfolio. The bank's total assets are therefore expected to be reduced over the next years.

Share Capital and Shareholders

As at 31 December 2022, the Issuer's share capital amounted to €250,000,000, fully paid-up, comprising 250,000,000 ordinary shares of €1.00 each.

The Issuer is not owned or controlled, either directly or indirectly, by any natural or legal persons, either singly or acting together, including any of the Raiffeisen Banks. As at the date of this Base Prospectus, the Issuer has 68 shareholders, of which 41 are Raiffeisen Banks holding 99.7 per cent. of the Issuer's ordinary shares.

The following table shows the principal shareholders of the Issuer as at the date of this Base Prospectus.

Shareholder	No. of shares	Per cent
Raiffeisen Banks	249,254,406	99.7
Others (co-operative companies)	745,594	0.3
Own shares	-	-
Total	**250,000,000**	**100.0**

Shareholdings in Other Companies

The Issuer has joint control of Casse Rurali-Raiffeisen Finanziaria S.p.A. (50 per cent owned) and Raiffeisen Servizi Assicurativi S.r.l. (30 per cent owned). Casse Rurali-Raiffeisen Finanziaria S.p.A. in turn holds 35.21 per cent of Mediocredito Trentino-Alto Adige S.p.A. ("**MCTAA**"), an Italian bank headquartered in Trento and mainly serving corporate clients.

In FY 2022, the Issuer acquired a direct interest of 2.89 per cent in MCTAA. As a result, the Issuer holds as at 31 December 2022 a direct and indirect interest in MCTAA of 20.4 per cent.

Strategy

The multi-year strategic planning of the Issuer is focused on the areas described below.

The strategy of the Issuer as central bank of the local Raiffeisen Banks is focused on safeguarding the interests and pinpointing the needs of the Raiffeisen Banks, as well as on continuously improving the services and products on offer. It aims to achieve this through a continuous streamlining of all processes and procedures used from time to time within the Raiffeisen Network, through the coordination and preparation of all projects on a common basis and through an efficient implementation of the needs of the Raiffeisen Network. The Issuer intends to pursue its present role as the Raiffeisen Network's contact point for local government and the national and international co-operative system also in the future. As such the Issuer is the "trail blazer" of the Raiffeisen Network, developing new products and services that are useful to all Raiffeisen Banks and is strengthening its general role in the Raiffeisen Network, in its sectors of activity and also externally. As a commercial bank, the Issuer targets sizeable business clients, credit-pool or leasing clients and may also be involved, as lead arranger, in complex financial projects.

In order to safeguard the current market position of the Issuer and the Raiffeisen Network in an increasingly competitive environment, the Issuer's activities focus on specific business areas, such as project financing through public and private partnerships for the improvement of local infrastructures, financing of companies through entering into leasing transactions and retirement planning. The Issuer may also operate in new business areas, such as lending in favour of consumers and families, through strategic partnerships or joint ventures.

The Issuer also acts as a service provider to institutional counterparties and financial institutions. As such the Issuer intends to expand its services into surrounding areas. For this purpose, the Issuer is aiming to strengthen its co-operation with newly founded or smaller financial institutions, including those outside the province of Bolzano.

Furthermore, the Issuer is a member institution of the Raiffeisen IPS, which has been established in 2020 (see "*Reform of the Italian cooperative banks – the Raiffeisen IPS*" above).

In order to achieve this strategic goal the Issuer prepares a strategic plan on an annual basis.

In addition, the Issuer prepares on a voluntary basis a non-financial statement pursuant to art. 7 of Legislative Decree No. 254/2016. It consists of an annual report on the Issuer's medium and long term measures related to ESG (environmental, social and governance) as well as on its commitment to sustainability in general.

Lending

General

The Issuer has historically granted loans to companies located in the province of Bolzano and, consequently, the breakdown of the loan portfolio pertaining to the industrial sector substantially reflects the structure of the local economy. Bolzano is one of the most prosperous provinces of Italy, which is partly due to its political and financial autonomy and its local economy is largely made up of small and medium-sized enterprises, which means that the Issuer has a limited individual large loan exposure.

Total loans and advances to customers as at 31 December 2022 amounted to €2,806 million, compared to €2,691 million as at 31 December 2021, representing an increase of 4.29 per cent. Lending to banks as at 31 December 2022 amounted to €2,311 million compared to €2,586 million as at 31 December 2021 with a decrease of 10.64 per cent.

The following table shows the breakdown of the Issuer's loans and advances to banks and to customers as at 31 December 2022 and 2021, respectively.

	31.12.2022		31.12.2021	
	(€ thousands)	*(%)*	*(€ thousands)*	*(%)*
Loans and advances to banks	2,310,754	45.2	2,585,934	49.0
Loans and advances to customers	2,805,871	54.8	2,690,573	51.0
Total	**5,116,625**	**100.0**	**5,276,507**	**100.0**

Nearly all the Issuer's lending activity is carried out in Italy and, in particular, in Alto Adige.

Loans and advances to customers

The following table shows the breakdown of the Issuer's loans and advances to customers by client type as at 31 December 2022 and 2021, respectively.

Loans and advances to customers by type

	31.12.2022 (€ thousands)			31.12.2021 (€ thousands)		
	Performing	***Impaired***	***POCI****	***Performing***	***Impaired***	***POCI****
Debt Securities:	**862,804**	**-**	**-**	**923,036**	**-**	**-**
a) Public entities	862,804	-	-	923,036	-	-
b) Other financial companies	-	-	-	-	-	-
thereof insurance comp.	-	-	-	-	-	-
c) Non-financial companies	-	-	-	-	-	-
Loans to:	**1,905,203**	**31,337**	**6,527**	**1,734,762**	**32,775**	**-**
a) Governments	-	-	-	-	-	-
b) Other public entities	9,671	-	-	10,619	-	-
c) Other entities	1,895,533	31,338	6,527	1,724,144	32,775	-
- non-financial companies	*1,618,472*	*26,767*	*6,527*	*1,462,944*	*28,128*	-
- financial companies	*83,710*	*187*	-	*66,696*	*504*	-
- insurance companies	*10,394*	-	-	*10,675*	-	-
- others	*182,957*	*4,384*	-	*183,829*	*4,143*	-
Total	**2,768,007**	**31,337**	**6,527**	**2,657,798**	**32,775**	**-**

** Purchased or originated credit impaired financial asset*

The following table shows the breakdown of the Issuer's loans and advances to customers according to the class of products as at 31 December 2022 and 2021, respectively.

Loans and advances to customers by class of product

	31.12.2022 (€ thousands)			31.12.2021 (€ thousands)		
	Performing	***Impaired***	***POCI****	***Performing***	***Impaired***	***POCI****
Loans						
Current accounts	110,758	3,450	19	102,284	1,419	-
Repos	-	-	-	-	-	-
Mortgages	1,175,012	22,365	6,502	1,088,540	23,710	-
Credit cards and personal loans	1,132	-	-	1,449	-	-
Finance lease	362,018	3,683	-	343,258	4,900	-
Factoring	-	-	-	-	-	-
Other transactions	256,283	1,839	6	199,231	2,746	-

Debt securities						
Structured bonds	-	-	-	-	-	-
Other bonds	862,804	-	-	923,036	-	-
Total	**2,768,007**	**31,337**	**6,527**	**2,657,798**	**32,775**	**-**

** Purchased or originated credit impaired financial asset*

Large loans

The Bank of Italy's regulations define "large risks" as the net weighted exposure (in relation to both loans and guarantees) to primary business groups where the amount exceeds 10 per cent of the regulatory capital resources available at a certain time. The table below shows the number and total amount of such large risk positions of the Issuer as at 31 December 2022 and 2021, respectively.

Large loans

	31.12.2022	**31.12.2021**
Nominal amount *(€ thousands)*	5,331,577	5,515,327
Number	37	33

Non Performing Loans

With effect from 1 January 2015, under the Bank of Italy's new system of classification, Non Performing loans have been re-categorised as follows:

- ***Bad loans*** (*crediti in sofferenza)* are exposures to debtors that are in a state of insolvency due to being unable to pay its debts, where there is a failure to comply with a previously agreed upon debt restructuring plan, where insolvency proceedings have been commenced, or where there are other adverse circumstances. For Bad loans, the valuation is performed on individual positions based on a qualitative and quantitative analysis of the borrower's financial position, the riskiness of the credit relationship, possible mitigating factors (collateral) and taking into account the financial impact of the estimated recovery time.

- ***Unlikely to pay loans*** (*inadempienze probabili*): (aside from those included among Bad loans) are those exposures in respect of which banks believe the debtors are unlikely to meet their contractual obligations in full unless action such as the enforcement of guarantees is taken. For Unlikely to pay loans, the valuation is based on a qualitative and quantitative analysis of the borrower's financial position and on precise assessment of the risk situation.

- ***Past due loans*** (*esposizioni scadute deteriorate*): (aside from those classified among Bad loans and Unlikely to pay loans) are those exposures that are past-due by more than 90 days and for above a predefined amount. Exposures classified amongst Past due loans automatically become performing when payment is received.

The following table shows the breakdown of the Issuer's cash exposure to customers based on the above categories as at 31 December 2022 and 2021, respectively.

	31.12.2022 *(€ thousands)*			**31.12.2021** *(€ thousands)*		
	Gross	***Provisions***	***Net***	***Gross***	***Provisions***	***Net***
Bad Loans	10,853	7,971	2,883	11,836	9,538	2,298
Unlikely to pay	65,536	30,795	34,741	53,386	23,283	30,103

Non Performing past due exposures	76	9	67	453	79	374
Non Performing Loans	**76,465**	**38,775**	**37,691**	**65,675**	**32,900**	**32,775**
Performing Loans	**3,201,154**	**18,728**	**3,182,427**	**3,089,211**	**14,606**	**3,074,604**
Total	**3,277,619**	**57,503**	**3,220,116**	**3,154,886**	**47,506**	**3,107,380**

As at 31 December 2022, the Issuer's gross Bad loans amounted to €10,853 thousand, out of a total of €3,278 million total gross exposure to customers, with a ratio of gross Bad loans to total gross exposures of 0.3 per cent., compared to 0.4 per cent. as at 31 December 2021. As at 31 December 2022, the level of loan loss provisions on Bad loans represented 73.4 per cent. compared to 80.6 per cent. as at 31 December 2021, resulting in a net amount of Bad loans of €2,883 thousand. As at 31 December 2022, the net Bad loans on net loans ratio was 0.09 per cent. (0.07 per cent. as at 31 December 2021).

As at 31 December 2022, total gross Unlikely to pay loans amounted to €65,536 thousand, with a ratio of gross Unlikely to pay loans to total gross exposures to customers of 2.0 per cent., compared to 1.7 per cent. as at 31 December 2021. The level of loan loss provisions on gross Unlikely to pay loans amounted to 47.0 per cent., compared to 43.6 per cent. as at 31 December 2021, resulting in a net value of Unlikely to pay loans of €34,741 thousand. In the same period, the net Unlikely to pay loans on net loans ratio was 1.1 per cent., compared to 1.0 per cent. as at 31 December 2021.

As at 31 December 2022, total gross Non Performing loans amounted to €76,465 thousand, compared to €65,675 thousand as at 31 December 2021.

The following table shows the flow of new Non Performing loans for the year ended 31 December 2022.

Flow of new problem loans

		31.12.2022 *(€ thousands)*	
	Non Performing	***Unlikely to Pay***	***Non Performing Past Due Exposures***
Opening balance – gross exposure	**11,836**	**53,386**	**453**
Increases	**7,997**	**30,266**	**284**
Transfer from performing loans	-	24,775	283
Transfer from other impaired exposures	6,141	211	-
Other increases	1,856	5,280	1
Decreases	**8,979**	**20,207**	**235**
Transfer to performing loans	1,509	3,148	-
Derecognised items	1,674	-	-
Recovery	4,520	10,123	23
Sales proceeds	976	-	-
Losses from sales proceeds	299	-	-
Transfer to other impaired exposures	-	6,141	211
Other decreases	-	795	2
Closing Balance - gross exposure	**10,853**	**63,445**	**501**

In accordance with the Bank of Italy's regulations, the Issuer's financial statements are prepared in accordance with IFRS. The value adjustments for performing and Non Performing loans are calculated according to current regulatory provisions and in such a way to obtain a prudent valuation. As a consequence, Bad loans and Unlikely to pay loans are analytically valued per single debtor, whilst other loans (including performing loans and Past due loans) are valued based on their loan classification.

Securities Portfolio

As a result of the entry into force of the new accounting standard IFRS 9, the Issuer has reclassified its financial assets as at 1 January 2018 into the new envisaged categories. This classification is based on the business model ("held-to-collect", "held-to-collect and sell" or "other") and on the characteristics of the contractual cash flows of the financial asset.

The financial assets held by the Issuer were reclassified into the following categories:

- Amortised cost (AC): a financial asset is measured at amortised cost if both of the following conditions are met:
  - the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
  - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Fair value through other comprehensive income (FVTOCI): financial assets are classified and measured at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- Fair value through profit or loss (FVTPL): any financial assets that are not held in one of the two business models mentioned are measured at fair value through profit or loss.

Assets held for trading

As at 31 December 2022, the Issuer's assets held for trading portfolio amounted to €32,249 thousand, equal to 0.52 per cent. of total assets.

The following table shows a breakdown of the Issuer's assets held for trading, according to the types of securities as at 31 December 2022 and 2021, respectively.

Assets held for trading

	31.12.2022		**31.12.2021**	
	(€ thousands)	*(%)*	*(€ thousands)*	*(%)*
Debt instruments	**-**	**-**	**-**	**-**
Central banks	-	-	-	-
Public entities	-	-	-	-
Banks	-	-	-	-
of which insurance companies	-	-	-	-
Non-financial companies	-	-	-	-
Equity instruments	**5,789**	**18.0**	**3,562**	**14.5**
Banks	411	1.4	287	1.2
Other financial companies	649	2.0	394	1.6
of which insurance companies	*196*	*0.6*	*102*	*0.4*
Non-financial companies	4,698	14.6	2,881	11.7
Other issuer	-	-	-	-
Mutual funds	**20,413**	**63.3**	**19,659**	**79.8**
Derivatives instruments	**6,047**	**18.8**	**1,412**	**5.7**
Total	**32,249**	**100.0**	**24,634**	**100.0**

Assets mandatorily at fair value

As at 31 December 2022, the Issuer's assets mandatorily at fair value amounted to €123,904 thousand, equal to 1.99 per cent. of total assets.

The following table shows a breakdown of the Issuer's assets mandatorily at fair value according to the type of securities as at 31 December 2022 and 2021, respectively.

Financial Assets mandatorily at fair value

	31.12.2022		**31.12.2021**	
	(€ thousands)	*(%)*	*(€ thousands)*	*(%)*
Equity instruments	**179**	**0.1**	**194**	**0.1**
Banks	171	0.1	187	0.1
Financial companies	7	0.0	8	0.0
Non-financial companies	-	-	-	-
Debt instruments	**389**	**0.3**	**479**	**0.4**
Central Banks	-	-	-	-
Public Entities	-	-	-	-
Banks	-	-	-	-
Other financial companies	389	0.3	479	0.4
of which insurance companies	-	-	-	-
Non-financial companies	-	-	-	-
Mutual funds	**123,317**	**99.5**	**131,705**	**99.5**
Financing	**19**	**0.0**	**24**	**0.0**
Central Banks	-	-	-	-
Public Entities	-	-	-	-
Banks	-	-	-	-
Other financial companies	19	0.0	24	0.0
of which insurance companies	-	-	-	-
Non-financial companies	-	-	-	-
Households	-	-	-	-
Total	**123,904**	**100.0**	**132,402**	**100.0**

Assets at fair value through other comprehensive income

As at 31 December 2022, the Issuer's assets at fair value through other comprehensive income amounted to €471,624 thousands, equal to 7.57 per cent. of total assets.

The following table shows a breakdown of the Issuer's assets available for sale according to the type of securities as at 31 December 2022 and 2021, respectively.

Financial Assets at fair value through other comprehensive income

	31.12.2022		**31.12.2021**	
	(€ thousands)	*(%)*	*(€ thousands)*	*(%)*
Debt instruments	**413,838**	**87.7**	**416,304**	**88.1**
Central Banks	-	-	-	-
Public Entities	413,838	87.7	416,304	88.1
Banks	-	-	-	-
Other financial companies	-	-	-	-
of which insurance companies	-	-	-	-
Non-financial companies	-	-	-	-
Equity instruments	**57,786**	**12.3**	**56,467**	**11.9**
Banks	43,522	9.2	42,632	9.0

Other issuers	14,265	3.0	13,836	2.9
Other financial companies	*12,817*	*2.7*	*12,788*	2.7
of which insurance companies	*9,753*	*2.1*	7,193	1.5
Non-financial companies	*1,448*	*0.3*	*1,048*	0.2
Others	-	-	-	-
Total	**471,624**	**100.0**	**472,771**	**100.0**

Funding

As at 31 December 2022, the total amount of funds borrowed by the Issuer was €5,725 million representing a decrease of 11.1 per cent. compared to €6,444 million as at 31 December 2021. The table below shows a breakdown of the Issuer's sources of funding.

Funding

	31.12.2022		**31.12.2021**	
	(€ thousands)	*(%)*	*(€ thousands)*	*(%)*
Due to banks	3,352,856	58.6	4,465,693	69.3
Due to customers	1,507,057	26.3	1,152,226	17.9
Bonds	865,401	15.1	825,803	12.8
Total funding	**5,725,314**	**100.0**	**6,443,722**	**100.00**

Capital Ratios

Pursuant to Art. 53-*bis*, paragraph 1, letter d) of Legislative Decree No. 385 of 1 September 1993, since 2022, the Issuer was required to maintain the following OCR (Overall Capital Requirement) ratios: a CET 1 Ratio of at least 8.50 per cent, a Tier I Ratio (that is the ratio of capital to total risk-weighted assets) of at least 10.20 per cent and a Total Capital Ratio (that is the ratio of total capital to total risk-weighted assets) of at least 12.45 per cent.

The Issuer's Capital Ratios as at 31 December 2022 and 2021, respectively, are shown in the table below and exceed the minimum mandatory levels required by the Bank of Italy.

Capital ratios

	31.12.2022	**31.12.2021**
CET1 capital ratio	20.65%	21.09%
Total capital ratio	20.65%	21.09%

Management

Board of Directors

The Issuer's Board of Directors is responsible for the Issuer's management. As provided in its By-laws, the Board of Directors must be composed of nine directors, each of whose appointment is valid for a three-year period. The directors can be re-elected but may be removed in accordance with applicable laws. The Board of Directors appoints the Chairman, one Vice-Chairman and the Executive Committee.

Board of Directors' meetings are convened by the Chairman on a regular basis. The majority of the directors are required to attend in order for the meeting to be validly constituted and resolutions to be validly passed.

The Board of Directors is vested with all ordinary and extraordinary administrative powers and may carry out all acts necessary and appropriate for the achievement of the Issuer's corporate objects, except for those that by law or under the Issuer's By-laws are reserved to the other Issuer's bodies.

The following table sets forth the names of the current members of the Board of Directors, their positions and principal activities outside the Issuer.

Name	Position	Principal activities outside the Issuer
Hanspeter Felder	Chairman	Chairman of Raiffeisenkasse Bruneck
Josef Alber	Vice Chairman	Chairman of Raffeisenkasse Etschtal
Massimo Andriolo	Director	Business Consultant
Wolfram Gapp	Director	Chairman of Raiffeisenkasse Untervinschgau
Peter Paul Heiss	Director	Chairman of Raiffeisenkasse Sarntal
Jakob Franz Laimer	Director	Managing Director of Raiffeisenkasse Passeier
Georg Mutschlechner	Director	Chairman of Cassa Raiffeisen Val Badia
Veronika Skocir	Director	Tax Consultant
Manfred Wild	Director	Managing Director of Raiffeisenkasse Tauferer-Ahrntal

The business address of each of the members of the Board of Directors is the Issuer's registered office.

The Issuer is not aware of any conflicts of interest between the duties owed by the persons listed above to the Issuer and their private interests or other duties.

Board of Statutory Auditors

Under Italian law, the Issuer's shareholders are also responsible for electing a Board of Statutory Auditors (*Collegio Sindacale*), composed of three independent experts in accounting matters. Under the Issuer's By-laws, the shareholders also elect two alternate statutory auditors, who will automatically replace statutory auditors who resign or are otherwise unable to serve the office. Statutory auditors and alternate statutory auditors hold office for a three-year period and may be re-elected.

The following table sets forth the names of the current members of the Board of Statutory Auditors.

Name	Title	Principal activities outside the Issuer
Hubert Berger	Chairman	Chairman of the Board of Statutory Auditors of Raiffeisenkasse Meran
Hildegard Oberleiter	Statutory Auditor	Tax Consultant
Klaus Steckholzer	Statutory Auditor	Chairman of the Board of Statutory Auditors of Raiffeisenkasse Wipptal
Martina Malfertheiner	Substitute Auditor	Tax Consultant
Roland Stuefer	Substitute Auditor	Chairman of the Board of Statutory Auditors of Raiffeisenkasse Ulten-St. Pankraz-Laurein

The business address of each of the members of the Board of Statutory Auditors is the Issuer's registered office.

The Issuer is not aware of any conflicts of interest between the duties owed by the Statutory Auditors to the Issuer and their private interests or other duties.

Independent Auditors

The Issuer's independent auditors are EY S.p.A. ("**EY**"), which audited the annual financial statements of the Issuer as at and for the years ended 31 December 2021 and 31 December 2022.

EY S.p.A., with registered office in Via Meravigli 12, Milan, is registered under No. 70945 in the Register of Accountancy Auditors (*Registro Revisori Legali*) by the MEF, in compliance with the provisions of Legislative Decree of January 27, 2010, No. 39. EY is also member of Assirevi, the Italian association of independent auditors.

Employees

The Issuer had 237 permanent employees as at 31 December 2022, compared to 229 as at 31 December 2021 (an increase of 3.5 per cent.). Of these, 21.1 per cent were part-time employees as at 31 December 2022, compared to 19.2 per cent. as at 31 December 2021.

Litigation

The Issuer is currently involved in litigation in the normal course of its business. Although it is difficult to predict the outcome of this litigation with certainty, the Issuer's management is confident that, in respect of any liabilities that may arise, adequate provisions have been made in the Issuer's financial statements. Furthermore, such liabilities, if any, are unlikely, as a whole, to have any material adverse effect on the Issuer, its financial condition or its results of operations.

OVERVIEW OF FINANCIAL INFORMATION OF THE ISSUER

The English translation of the audited annual financial statements of the Issuer as at and for the years ended 31 December 2022 and 2021, together with the accompanying notes and independent auditor's reports, are included in this Base Prospectus under Annex 1 (*Audited annual financial statements, accompanying notes and independent auditor's reports*). See Annex 1 (*Audited annual financial statements, accompanying notes and independent auditor's reports*) of this Base Prospectus below. Such annual financial statements have been prepared in accordance with IFRS and have been audited by EY.

The following tables present audited annual statement of financial position and income statement of the Issuer as at and for the years ended 31 December 2022 and 2021. All of the financial information set out below is derived from, should be read in conjunction with and is qualified in its entirety by reference to the full annual financial statements of the Issuer included in this Base Prospectus, in each case together with the accompanying notes.

CASSA CENTRALE RAIFFEISEN DELL'ALTO ADIGE S.p.A.
Audited Annual Statement of Financial Position

Assets

	31.12.2022 *(Euro)*	**31.12.2021** *(Euro)*
Cash and cash equivalents	315,562,576	974,847,447
Financial assets at fair value through profit or loss	156,152,399	157,035,793
a) financial assets held for trading	*32,248,664*	*24,633,933*
b) financial assets designated at fair value	*0*	*0*
c) other financial assets mandatory at fair value	*123,903,735*	*132,401,860*
Financial assets at fair value through other comprehensive income	471,623,704	472,770,915
Financial assets at amortised cost	5,116,624,952	5,276,507,402
a) loans and advances to banks	*2,310,753,995*	*2,585,934,081*
b) loans and advances to customers	*2,805,870,956*	*2,690,573,321*
Hedging derivatives	1,342,993	0
Equity investments	21,591,023	26,462,786
Property, equipment and investment property	13,603,475	14,057,845
Intangible assets	58,374	123,934
of which: goodwill	*0*	*117,400*
Tax Assets	25,958,629	6,878,665
a) current	*6,635,635*	*242,351*
b) deferred	*19,322,994*	*6,636,314*
Other assets	103,830,454	39,562,018
Total Assets	**6,226,348,518**	**6,968,246,805**

CASSA CENTRALE RAIFFEISEN DELL'ALTO ADIGE S.p.A.
Audited Annual Statement of Financial Position (Cont'd)

Liabilities and Equity

	31.12.2022 *(Euro)*	**31.12.2021** *(Euro)*
Financial liabilities at amortised cost	5,725,313,804	6,443,721,902
a) due to banks	*3,352,855,769*	*4,465,692,939*
b) due to customers	*1,507,056,956*	*1,152,226,301*
c) securities issued	*865,401,078*	*825,802,662*
Financial liabilities held for trading	5,773,522	1,127,912
Hedging derivatives	12,532	1,183,560
Tax liabilities	978,583	11,056,342
a) current	*0*	*5,615,510*
b) deferred	*978,583*	*5,440,831*
Other liabilities	42,009,550	38,971,928
Post-employment benefits	2,847,464	3,428,507
Provision for risks and charges	3,679,166	2,803,095
a) commitments and guarantees given	*3,214,736*	*2,422,345*
b) pension and similar obligations	*0*	*0*
c) other provisions for risk and charges	*464,430*	*380,750*
Valuation reserves	-18,821,876	21,202,073
of which: associated with discontinued operations	*0*	*0*
Reserves	202,651,486	177,012,709
of which: interim dividends	*0*	*0*
Share capital	250,000,000	225,000,000
Net income (loss) for the year	11,904,287	42,738,777
Total Liabilities and Equity	**6,226,348,518**	**6,968,246,805**

CASSA CENTRALE RAIFFEISEN DELL'ALTO ADIGE S.p.A.
Audited Annual Income Statement

	31.12.2022 *(Euro)*	31.12.2021 *(Euro)*
Interest and similar income	73,626,051	72,690,779
Interest and similar expense	-23,918,777	-30,057,195
Net interest income	**49,707,273**	**42,633,583**
Fee and commission income	48,372,221	37,491,726
Fee and commission expenses	-27,910,590	-17,370,988
Net fee and commission income	**20,461,630**	**20,120,738**
Dividends and similar income	1,588,200	1,588,136
Profits (Losses) on trading	1,740,490	3,435,893
Net hedging income (expense)	279,301	37,055
Profits (losses) on disposal or repurchase of:	15,804,914	6,921,176
a) financial assets measured at amortised cost	*5,128,774*	*-1*
b) financial assets measured at fair value through other comprehensive income	*10,649,334*	*6,953,670*
c) financial liabilities	*26,806*	*-32,494*
Profits (losses) on other assets and liabilities measured at fair value through profit or loss:	-10,306,761	14,087,642
a) financial assets and liabilities designated at fair value	*0*	*0*
b) other financial assets mandatorily measured at fair value	*-10,306,761*	*14,087,642*
Net interest and other banking income	**79,275,047**	**88,824,223**
Net impairment losses for credit risk on:	-13,439,294	-8,648,780
a) financial assets measured at amortised cost	*-13,557,139*	*-8,545,420*
b) financial assets measured at fair value through other comprehensive income	*117,845*	*-103,360*
Profits (Losses) on changes in contracts without derecognition	-797	-20,125
Net income from financial activities	**65,834,956**	**80,155,317**
Administrative expenses	-43,517,572	-41,214,789
a) personnel expenses	*-22,331,414*	*-21,357,666*
b) other administrative expenses	*-21,086,158*	*-19,857,123*
Net provisions for risks and charges	-823,571	236,691
a) commitments and guarantees given	*-691,404*	*250,151*
b) other net provisions	*-132,167*	*-13,460*
Depreciation and net impairment losses on property, equipment and investment property	-796,913	-824,171
Amortisation and net impairment losses on intangible assets	-34,261	-26,449
Other operating expenses (income)	9,198,546	8,721,056
Operating expenses	**-35,873,771**	**-33,107,661**
Profits (losses) on equity investments	-9,527,566	7,027,084
Impairment losses on goodwill	-117,400	-
Profits (losses) on disposal of investments	-5,553	-785
Income (loss) before tax from continuing operations	**20,310,667**	**54,073,955**
Taxes on income from continuing operations	-8,406,380	-11,335,178
Income (loss) after tax from continuing operations	**11,904,287**	**42,738,777**
Net income (loss) for the year	**11,904,287**	**42,738,777**

TAXATION

The following is a general summary of certain Italian tax consequences of acquiring, holding and disposing of Notes. It does not purport to be a complete analysis of all tax considerations that may be relevant to the decision to purchase, own or dispose of Notes and does not purport to deal with the tax consequences applicable to all categories of prospective beneficial owners of Notes, some of which may be subject to special rules. This summary is based upon Italian tax laws and/or practice in force as at the date of this Base Prospectus, which are subject to any changes in law and/or practice occurring after such date, which could be made on a retroactive basis. The Issuer will not update this summary to reflect changes in law and, if any such change occurs, the information in this summary could be superseded.

The tax legislation of the Noteholder's Member State and of the Issuer's country of incorporation may have an impact on the income received from the Notes.

Prospective purchasers of Notes should consult their tax advisers as to the overall tax consequences of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes, including in particular the effect of any state, regional or local tax laws.

Italian tax treatment of Notes

Italian Legislative Decree No. 239 of 1 April 1996, as amended and supplemented ("**Decree No. 239**"), provides for the tax treatment applicable to interest, premium and other income (including the difference between the redemption amount and the issue price) (hereinafter collectively referred to as "**Interest**") from bonds issued by, *inter alia,* Italian resident banks. The provisions of Decree No. 239 apply to Notes falling within the category of bonds (*obbligazioni*) or securities similar to bonds (*titoli similari alle obbligazioni*) pursuant to Article 44 of Presidential Decree No. 917 of 22 December 1986, as amended and supplemented ("**Decree No. 917**"). The tax regime set forth by Decree No. 239 also applies to interest, premium and other income arising from regulatory capital financial instruments complying with EU and Italian regulatory principles, issued by, *inter alia*, Italian banks, other than shares and assimilated instruments.

Pursuant to Article 44 of Decree No. 917, securities qualify as *titoli similari alle obbligazioni* (securities similar to bonds), if such securities (i) incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value, with or without the payment of periodic interest and (ii) do not give any right to participate directly or indirectly in the management of the issuer or of the business in connection to which the securities were issued, nor to control the same.

Notes that qualify as *obbligazioni* or *titoli similari alle obbligazioni*

Italian tax resident Noteholders

Pursuant to Decree No. 239, payments of Interest relating to Notes qualifying as *obbligazioni* or *titoli similari alle obbligazioni* are subject to a substitute tax (referred to as "*imposta sostitutiva*") levied at the rate of 26% (either when Interest is paid or when payment thereof is obtained by the holder on a sale of the Notes) where an Italian tax resident holder of Notes is the beneficial owner of such Notes, and is:

(a) an individual not holding the Notes in connection with an entrepreneurial activity, unless he has entrusted the management of his financial assets, including the Notes, to an authorised intermediary and has opted for the so-called *risparmio gestito regime* (the "**Asset Management Option**") pursuant to Article 7 of Italian Legislative Decree No. 461 of 21 November 1997, as amended and supplemented ("**Decree No. 461**"); or

(b) a partnership (other than a *società in nome collettivo* or *società in accomandita semplice* or similar partnership) or a *de facto* partnership not carrying out commercial activities or a professional association; or

(c) a private or public institution, other than companies, or a trust not carrying out mainly or exclusively commercial activities, or the Italian State or other public and territorial entities; or

(d) an investor exempt from Italian corporate income taxation.

All the above categories are referred to as "**net recipients**".

Where the holders of the Notes described in (a) and (c) above are engaged in an entrepreneurial activity to which the Notes are connected, the substitute tax applies as a provisional tax creditable against the overall corporate income tax due.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from any income taxation, including the substitute tax, on Interest relating to the Notes, if the Notes are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements from time to time applicable under Italian law. Pursuant to Decree No. 239, the 26% substitute tax is applied by (i) banks, *società di intermediazione mobiliare* ("**SIMs**"), fiduciary companies, *società di gestione del risparmio* ("**SGRs**"), stockbrokers and other qualified entities resident in Italy, (ii) permanent establishments in Italy of banks or intermediaries resident outside Italy or (iii) an entity or a company not resident in Italy, acting through a system of centralised administration of notes and directly connected with the Department of Revenue of the Italian Ministry of Finance having appointed an Italian representative for the purposes of Decree No. 239 (the persons indicated in (i) to (iii) above the "**Intermediaries**" and each an "**Intermediary**"). For the purposes of applying substitute tax, Intermediaries must intervene, in any way, in the collection of Interest accrued on the Notes or in the transfer of the Notes or in any change of Intermediary with which the Notes are deposited or in a transfer from a deposit to a different deposit held with the same Intermediary.

Where the Notes are not deposited with an Intermediary, the substitute tax is applied and withheld by any Intermediary intervening in the payment of Interest or, in the absence of any such Intermediary, by the Issuer (provided that the payment of Interest is made directly by the Issuer).

Where an Italian tax resident Noteholder (being the beneficial owner of payments of Interest on the Notes) is (i) a company or similar commercial entity, or a permanent establishment in Italy of foreign corporation to which the Notes are effectively connected; (ii) an Italian resident partnership carrying out commercial activities (*società in nome collettivo or società in accomandita semplice*); (iii) an Italian resident individual not holding the Notes in connection with an entrepreneurial activity who has entrusted the management of their financial assets, including the Notes, to an Italian authorised financial intermediary and has opted for the Asset Management Option regime and the Notes are deposited with an Intermediary, Interest would not be subject to substitute tax.

Interest accrued on the Notes are included in the corporate taxable income (and in certain circumstances, depending on the "status" of the Noteholders, excluding, as of 1 January 2022, Italian resident individuals engaged in entrepreneurial activities, also in the net value of production for the purposes of regional tax on productive activities - IRAP) of Italian resident corporations or Italian permanent establishments of foreign entities (who are beneficial owners) to which the Notes are effectively connected, subject to taxation according to the ordinary rules and at the ordinary rates.

If the Noteholder (being the beneficial owner of payments of Interest on the Notes) is an Italian pension fund subject to the regime provided under Legislative Decree No. 252 of 5 December 2005 (the "**Italian**

Pension Fund"), and the Notes are deposited with an Intermediary, Interest would not be subject to substitute tax but would be included in the annual net accrued results of such pension funds, which is subject to a 20% annual substitute tax. Subject to certain conditions (including minimum holding period requirement) and limitations, interest, premium and other income relating to the Notes may be excluded from the taxable base of the 20% substitute tax if the Notes are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements from time to time applicable under Italian law.

If the Noteholder (being the beneficial owner of payments of Interest on the Notes) is an Italian resident Collective Investment Fund and the Notes are deposited with an Intermediary, Interest paid to unit holders or shareholders would not be subject to substitute tax but a withholding tax of 26% (on account of taxes or as final tax depending on the status of the unit holder or shareholder), may apply to distributions or in the case of redemption or sale of the units or shares in the Collective Investment Fund, subject to certain exemptions.

Where a Noteholder is an Italian resident real estate investment fund and Italian resident real estate investment companies with fixed capital (*SICAF i.e. società di investimento a capitale fisso*) complying with the relevant legal and regulatory requirements and subject to the regime provided for by, *inter alia*, Law Decree No. 351 of 25 September 2001 and Law Decree No. 44 of 4 March 2014 both as amended, apply (the "**Real Estate Funds**"), Interest accrued on the Notes will be subject neither to substitute tax nor to any other income tax in the hands of the Real Estate Fund to the extent that the Notes are deposited in a proper and timely manner directly or indirectly with an Intermediary but subsequent distributions made in favour of unit holders or shareholders will be subject, in certain circumstances, to a withholding tax of 26%.

Non-Italian tax resident Noteholders

Pursuant to Decree No. 239, payments of Interest in respect of Notes qualifying as *obbligazioni* or *titoli similari alle obbligazioni* are not subject to substitute tax provided *that*:

(a) payments are made to non-Italian resident beneficial owners of the Notes with no permanent establishment in Italy to which the Notes are effectively connected;

(b) such beneficial owners are resident, for tax purposes, in a country which allows for a satisfactory exchange of information with Italy and listed in the Italian Ministerial Decree dated 4 September 1996, as amended from time to time (the "**White List**"); and

(c) all the requirements and procedures set forth in Decree No. 239 and in the relevant implementation rules, as subsequently amended, in order to benefit from the exemption from substitute tax are complied with in due time.

Decree No. 239 provides for additional exemptions from substitute tax for payments of Interest made to: (i) international entities and organisations established in accordance with international agreements ratified by Italy; (ii) certain foreign institutional investors, whether or not subject to tax, established in a State listed in the White List; and (iii) Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State.

To ensure payment of Interest in respect of the Notes without the application of 26% substitute tax, non-Italian resident investors indicated above must:

(a) be the beneficial owners of payments of Interest on the Notes;

(b) deposit the Notes in due time, inclusive of their related rights to receive Interest Amount thereon, together with the coupons directly or indirectly with an Intermediary; and

(c) file in due time with the relevant depository a declaration (*autocertificazione*) stating, *inter alia*, that they are resident, for tax purposes, in a country which recognises the Italian tax authorities' right to an adequate exchange of information. Such declaration (*autocertificazione*) which must comply with the requirements set forth by a Decree of the Ministry for the Economy and Finance of 12 December 2001 (as amended and supplemented from time to time), is valid until withdrawn or revoked and needs not be submitted where a certificate, declaration or other similar document meant for equivalent uses was previously submitted to the same depository. The declaration (*autocertificazione*) is not required for non-Italian resident investors that are international entities and organisations established in accordance with international agreements ratified by Italy and Central Banks or entities which manage, *inter alia*, the official reserves of a foreign state.

Failure of a non-resident Noteholder to comply in due time with the procedures set forth in Decree No. 239 and in the relevant implementation rules results in the application of substitute tax on Interest paid to such non-Italian resident Noteholder.

Should the exemption described above not apply, the 26% substitute tax may be reduced under certain applicable double tax treaties entered into by Italy and the country of residence of the relevant Noteholder, if more favourable, subject to timely filing of required documentation.

Fungible issues

Pursuant to Article 11, paragraph 2 of Decree No. 239, where the relevant Issuer issues a new Tranche forming part of a single series with a previous Tranche, for the purposes of calculating the amount of Interest subject to *substitute tax,* the issue price of the new Tranche will be deemed to be the same amount as the issue price of the original Tranche. This rule applies where (a) the new Tranche is issued within 12 months from the issue date of the previous Tranche and (b) the difference between the issue price of the new Tranche and that of the original Tranche does not exceed 1% multiplied by the number of years of the duration of the Notes.

Notes that qualify as atypical securities

Interest payments relating to Notes qualifying as atypical securities (*titoli atipici*) according to Article 5 of Law Decree No. 512 of 30 September 1983, as amended, are subject to withholding tax levied at a rate of 26% (final or on account depending on the "status" and tax residence of the Noteholder).

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity may be exempt from any income taxation, including the withholding tax on interest, premium and other income relating to the Notes not falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*), shares or securities similar to shares pursuant to Article 44 of Presidential Decree No. 917 of 22 December 1986 (as amended) if such Notes are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements from time to time applicable under Italian law.

Where the Noteholder is (a) an Italian individual engaged in an entrepreneurial activity to which the Notes are connected, (b) an Italian company or a similar Italian commercial entity, (c) a permanent establishment in Italy of a foreign entity, (d) an Italian commercial partnership or (e) an Italian commercial private or public institution, such withholding tax is a provisional withholding tax. In all other cases the withholding tax is a final withholding tax.

The withholding tax may be reduced under certain applicable double tax treaties entered into by Italy and the country of residence of the relevant Noteholder, if more favourable, subject to timely filing of required documentation.

Capital gains

Italian tax resident Noteholders

Capital gains deriving from the disposal, sale or redemption of the Notes obtained by an Italian tax resident Noteholder being (i) an individual not holding the Notes in connection with an entrepreneurial activity, (ii) a partnership (other than a *società in nome collettivo* or *in accomandita semplice*) or a *de facto* partnership not carrying out commercial activities, (iii) a private or public institution, other than companies, a trust not carrying out mainly or exclusively commercial activities; (iv) an investor exempt from Italian corporate income taxation are subject to 26% tax (as substitute tax), pursuant to one of the following regimes:

(a) under the so called "*tax return regime"*, which is the standard regime for taxation of capital gains realised by Italian resident Noteholders under (i) to (iii) above, the 26% tax is chargeable on a cumulative basis, on all capital gains net of any incurred offsettable capital loss realised by any such taxpayer on the disposal, sale or redemption of the Notes occurring in any given tax year. Such gain, net of any incurred offsettable capital loss, must be reported in the year-end tax return and the tax must be paid on the capital gain together with any income tax due for the relevant tax year. Capital losses in excess of capital gains may be carried forward against capital gains of the same kind for up to the fourth subsequent tax years. This regime automatically applies if the Noteholders does not expressly opt for one of the following regimes:

(b) under the discretionary investment portfolio regime provided by Article 6 of Decree No. 461 (*regime del risparmio amministrato*), Noteholders under (i) to (iii) above may elect to pay the tax separately on capital gains realised on each sale or redemption of the Notes. This separate taxation of capital gains is allowed subject to (x) the Notes being deposited with an authorised Intermediary and (y) the taxpayer making a timely election in writing for the *risparmio amministrato* regime, addressed to any such Intermediary. The Intermediary is then responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each disposal, sale or redemption of the Notes (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss and is required to pay the relevant amount to the Italian tax authorities on behalf of the Noteholder deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Losses may be deducted from capital gains subsequently realised within the same securities portfolio in the same tax period or may be carried forward in the following years up to the fourth. Under the *risparmio amministrato* regime, the Noteholder is not required to report the capital gains in his annual tax return;

(c) under the Asset Management Option regime (*regime del risparmio gestito*) Noteholders under (i) to (iii) above having entrusted the management of their Notes to an authorised Intermediary, capital gains will be included in the annual appreciation of the investment portfolio accrued (including the gains realised on the disposal, sale or redemption of the Notes), even if not realised, and at year-end will be subject to a 26% substitute tax to be paid directly by the Intermediary. Any depreciation of the investment portfolio accrued at year-end may be carried forward and netted against the appreciation accrued in any of the four succeeding tax years. Under such regime, the Noteholder is not required to report the capital gains realised in his annual tax return.

Capital gains realised by Italian companies or similar commercial entities (including permanent establishments in Italy of foreign corporation to which the Notes are effectively connected) to which the Notes are effectively connected, are included in the overall taxable business income subject to corporate income tax and in the net value of production for the purposes of the regional tax on productive activities – IRAP.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not engaged in an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from Italian capital gain taxes, including the substitute tax, on capital gains realised upon sale or redemption of the Notes if the Notes are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements from time to time applicable under Italian law.

In the case of Notes held by Collective Investment Funds, capital gains realised upon disposal of the Notes are not taxable at the level of such Funds. Generally, a 26% withholding tax applies on distributions to the unit holders or shareholders which will include the results of the portfolio at the end of the tax period (on account of taxes or as final tax depending on the status of the unit holder or shareholder), subject to certain exemptions.

In the case of Notes held by Italian Pension Funds, capital gains on the Notes contribute to determine the annual net accrued result of same Pension Funds, which is generally subject to a 20% substitute tax. Subject to certain conditions (including a minimum holding period) and limitations, capital gains on the Notes may be excluded from the taxable base of 20% substitute tax if the Notes are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth by Italian law, as amended and supplemented from time to time.

Capital gains on Notes held by Real Estate Funds are not taxable at the level of same Real Estate Funds, save for the tax regime introduced by Law Decree No. 70 of 13 May 2011 with respect to the taxation of units holders.

Non-Italian tax resident Noteholders

The 26% capital gains tax may, in certain circumstances, be payable on any capital gains realised upon sale, transfer or redemption of the Notes by non-Italian tax resident individuals and corporations without a permanent establishment in Italy to which the Notes are effectively connected, if the Notes are held or deemed to be held in Italy.

Capital gains realised by non-Italian resident Noteholders from the sale or redemption of the Notes, even if the Notes are not traded on a regulated market, are not subject to *imposta sostitutiva,* provided that the beneficial owner is (i) resident for tax purposes in a country included in the White List; or (ii) an international entity and organisation established in accordance with international agreements ratified by Italy; or (iii) a foreign institutional investor, whether or not subject to tax, established in a State listed in the White List; or (iv) a Central Bank or entity which manages, *inter alia*, the official reserves of a foreign State and proper documentation is filed satisfying the same conditions set forth above to benefit from the exemption from *imposta sostituiva* in accordance with Decree No. 239.

If none of the above conditions is met, capital gains from the sale or redemption of the Notes realised by non-Italian resident Noteholders will be subject to *imposta sostitutiva* at the current rate of 26 per cent.

In any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are effectively connected that may benefit from a double taxation treaty with Italy providing that capital gains realised upon sale or redemption of Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to tax in Italy on any capital gains realised upon sale for consideration or redemption of Notes.

Inheritance and gift tax

Pursuant to Law Decree No. 262 of 3 October 2006, converted into law with amendments by Law No. 286 of 24 November 2006 (as amended), the transfer of any valuable assets (including the Notes) as a result of death or donation (or other transfers for no consideration) and the creation of liens on such assets for a specific purpose are taxed as follows.

Inheritance and gift taxes apply according to the following rates and exclusions:

(a) transfers in favour of spouses and direct descendants or ancestors are subject to an inheritance and gift tax applied at a 4% rate on the value of the Notes exceeding €1,000,000 (per beneficiary);

(b) transfers in favour of brothers or sisters are subject to an inheritance and gift tax applied at a 6% rate on the value of the Notes exceeding €100,000 (per beneficiary);

(c) transfers in favour of relatives up to the fourth degree and relatives-in-law up to the third degree are subject to an inheritance and gift tax applied at a 6% rate on the entire value of the Notes; and

(d) any other transfer is subject to an inheritance and gift tax applied at a 8% rate on the entire value of the Notes.

If the beneficiary of any such transfer is a disabled individual, whose handicap is recognised pursuant to Law No. 104 of 5 February 1992, the tax is applied only on the value of the Notes received in excess of €1,500,000 at the rates illustrated above, depending on the type of relationship existing between the deceased or donor and the beneficiary.

If the Notes are included in a long-term individual savings account (*piano individual di risparmio a lungo termine*) to the extent that it meets the requirements set forth by Italian law, Notes will be excluded from inheritance tax.

Stamp duties on financial instruments

Pursuant to Article 19(1) of Decree No. 201 of 6 December 2011, converted into law – with amendments – by Law No. 214 of 22 December 2011 ("**Decree 201**"), a proportional stamp duty applies on an annual basis to any periodic reporting communication which is, or is deemed to be, sent by a financial intermediary to a Noteholder in respect of any Notes which may be deposited with such financial intermediary.

The stamp duty applies at a rate of 0.2% and is determined on the basis of the market value or, if no market value figure is available, on the nominal value or redemption amount of the Notes held. The stamp duty cannot exceed €14,000 for taxpayers other than for individuals.

Certain aspects of the relevant discipline have been clarified and implemented by Ministerial Decree of 24 May 2012 issued by the Ministry of Economy and Finance.

Stamp duty applies both to Italian resident and non-Italian resident Noteholders, to the extent that Notes are held with an Italian-based financial intermediary, in which case Italian wealth tax (see below "*Wealth tax on securities deposited abroad*") applies to Italian resident Noteholders only.

Wealth tax on securities deposited abroad

Pursuant to Article 19(18) of Decree 201, Italian resident individuals, non-profit entities and certain partnerships (*società semplici* or similar partnerships in accordance with Article 5 of Presidential Decree No. 917) holding the Notes outside Italian territory are required to pay an additional tax at a rate of 0.2% ("**Ivafe**") which, for taxpayers other than individuals, cannot exceed €14,000.

This tax is calculated on the market value of the Notes at the end of the relevant year or, if no market value figure is available, the tax is computed on the nominal value or on the redemption value of the financial assets. Taxpayers are entitled to an as tax credit equivalent to the amount of wealth taxes paid in the State where the financial assets are held (up to an amount equal to the Italian wealth tax due).

Tax monitoring requirements

Pursuant to Law Decree No. 167 of 28 June 1990 converted into Law No. 227 of 4 August 1990, as amended from time to time, individuals, non-profit entities and certain partnerships (in particular, *società semplici* and assimilated entities referred to in Article 5 of Decree No. 917) resident for tax purposes in Italy are required – under certain conditions – to report in their yearly income tax return, for tax monitoring purposes, the quality and value of securities (including the Notes) held abroad during the tax year.

Such reporting obligation occurs where the same persons mentioned above qualify as beneficial owner ("*titolari effettivi*") of the Notes in accordance with Decree No. 231 of 21 November 2007 (as amended).

The above persons are, however, not required to comply with the reporting requirements in respect of securities deposited with qualified Italian financial intermediaries and in respect of contracts entered into through their intervention, upon condition that (i) the items of income derived from such securities are collected through the intervention of the same intermediaries (ii) the intermediaries apply the relevant withholding on that income.

Proposed Financial Transaction Tax

On 14 February 2013, the European Commission published a proposal for a Directive for a common financial transaction tax ("**FTT**") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between the participating Member States and it may therefore be altered prior to any implementation or implemented after the above mentioned date. In addition, other EU Member States may decide to participate.

Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a foreign financial institution (as defined by FATCA) may be required to withhold on certain payments it makes (foreign pass-thru payments) to persons that fail to meet certain certification, reporting or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including the Republic of Italy) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (IGAs), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under

FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, such withholding would not apply prior to the date that is two years after the date of publication of final regulations with the U.S. Federal Register defining foreign pass-thru payments. To date such final regulations have not yet been published. Noteholders should consult their own tax advisers regarding how these rules may apply to their investment in Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any one or more of the Dealers. The arrangements under which the Issuer may agree from time to time to sell Notes and the relevant Dealer(s) may agree to purchase are set out in an amended and restated Dealer Agreement dated 7 July 2022 (the "**Dealer Agreement**") and made between the Issuer and the Dealers.

Any agreement for the sale and purchase of Notes will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase.

The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

United States of America: *Regulation S Category 2; TEFRA D or TEFRA C as specified in the relevant Final Terms or neither if TEFRA is specified as not applicable in the relevant Final Terms.*

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Each Dealer has agreed that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche, as certified to the Paying Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Paying Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

The Republic of Italy

The offering of the Notes has not been registered with the *Commissione Nazionale per le Società e la Borsa* (**CONSOB**) pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the Base Prospectus or of any other document relating to the Notes be distributed in the Republic of Italy, except:

(a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 2 of the Prospectus Regulation and any applicable provision of Legislative Decree No. 58 of 24 February 1998, as amended (the **Financial Services Act**) and Italian CONSOB regulations; or

(b) that it may offer, sell or deliver Notes or distribute copies of any prospectus relating to such Notes in an offer to the public in the period commencing on the date of publication of such prospectus, provided that such prospectus has been approved in another Relevant Member State and notified to CONSOB, all in accordance with the Prospectus Regulation, Financial Services Act and CONSOB Regulation No. 11971 of 14 May 1999, as amended ("**Regulation No. 11971**"), and ending on the date which is 12 months after the date of approval of such prospectus; or

(c) in other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the Prospectus Regulation, Article 34-*ter* of Regulation No. 11971, and the applicable Italian laws.

Any offer, sale or delivery of the Notes or distribution of copies of the Base Prospectus or any other document relating to the Notes in the Republic of Italy under (a) or (b) above must:

(i) be made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 20307 of 15 February 2018 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the **Banking Act**); and

(ii) comply with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian authority.

Provisions relating to the secondary market in the Republic of Italy

Investors should also note that, in any subsequent distribution of the Notes in the Republic of Italy, the Prospectus Regulation and Financial Services Act may require compliance with the law relating to public offers of securities. Furthermore, Article 100-*bis* of Financial Services Act provides that where the Notes are placed solely with "qualified investors" and are then systematically resold on the secondary market at any time in the 12 months following such placing, purchasers of Notes who are acting outside of the course of their business or profession may in certain circumstances be entitled to declare such purchase void and, in addition, to claim damages from any authorised person at whose premises the Notes were purchased, unless an exemption provided for under the Prospectus Regulation or the Financial Services Act applies.

France

Each Dealer has represented, warranted and undertaken to the Issuer and each other Dealer (if any) that it has not offered or sold, and will not offer or sell, directly or indirectly, any Notes to the public in the Republic of France and it has not distributed or caused to be distributed, and will not distribute or cause to be distributed, to the public in France the Base Prospectus, the relevant Final Terms or any other offering material relating to the Notes and such offers, sales and distributions have been and will be made in France only to (a) persons providing investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and/or (b) qualified investors (*investisseurs qualifiés*), other than individuals, as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 of the French *Code monétaire et financier*.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948), as amended (the "**FIEA**"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer to sell any Notes in Japan or to, or for the benefit of, a resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, FIEA and other relevant laws and regulations of Japan.

Prohibition of Sales to EEA Retail Investors

If the Final Terms (or Drawdown Prospectus, as the case may be) in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms (or are the subject of the offering contemplated by a Drawdown Prospectus) in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**EU MiFID II**"); or

(ii) a customer within the meaning Directive (EU) 2016/97 ("**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II.

Public Offer Selling Restriction Under the Prospectus Regulation

If the Final Terms in respect of any Notes does not include a legend entitled "Prohibition of Sales to EEA Retail Investors", in relation to each Member State of the European Economic Area, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms in relation thereto (or are the subject of the offering contemplated by a Drawdown Prospectus, as the case may be) to the public in that Member State except that it may make an offer of such Notes in that Member State:

(a) ***Qualified investors***: at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(b) ***Fewer than 150 offerees***: at any time to fewer than 150, natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) ***Other exempt offers***: at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation.

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Prohibition of sales to UK Retail Investors

Unless the Final Terms (or Drawdown Prospectus, as the case may be) in respect of any Notes incudes the legend "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto (or are the subject of the offering contemplated by a Drawdown Prospectus, as the case may be) to any retail investor in the United Kingdom. For the purposes of this provision:

(a) the expression **retail investor** means a person who is one (or more) of the following:

 (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or

 (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA.

 If the Final Terms in respect of any Notes does not include the legend "Prohibition of Sales to UK Retail Investors", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to the public in the United Kingdom except that it may make an offer of such Notes to the public in the United Kingdom:

 (a) at any time to any legal entity which is a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of UK domestic law by virtue of the EUWA;

 (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of UK domestic law by virtue of the EUWA) in the United Kingdom subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

 (c) at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of Regulation (EU) 2017/1129 as it forms part of UK domestic law by virtue of the EUWA.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

General

Each Dealer has represented, warranted and agreed that, to the best of its knowledge and belief, it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes this Base Prospectus or any Final Terms or related offering material, in all cases at its own expense. Other persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer and the

Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or have in their possession or distribute such offering material, in all cases at their own expense.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s), or change(s) in official interpretation, after the date hereof of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed "*General*" above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification will (if required by applicable law) be set out in a supplement to this document.

Selling restrictions addressing additional UK Securities Laws

Each Dealer has represented, warranted and agreed that:

(a) *No deposit-taking*: in relation to any Notes having a maturity of less than one year:

(i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and

(ii) it has not offered or sold and will not offer or sell any Notes other than to persons:

(A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or

(B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention by the Issuer of Section 19 of the Financial Services and Markets Act 2000 (the "**FSMA**");

(b) *Financial promotion*: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(c) *General compliance*: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

GENERAL INFORMATION

Listing and admission to trading

This Base Prospectus has been approved by the CSSF as a base prospectus. Application has been made for Notes issued under the Programme to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange.

However, Notes may be issued pursuant to the Programme which are admitted to listing, trading and/or quotation by such competent authority, stock exchange and/or quotation system as the Issuer(s) and the relevant Dealer(s) may agree or which are not admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system.

Authorisations

The 2023 update of the Programme has been authorised by a resolution of the Board of Directors of the Issuer dated 6 March 2023. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.

Legal Entity Identifier

The Legal Entity Identifier (LEI) of the Issuer is 529900N2ZB1B52JB2F83.

Corporate objects

The scope and objects of the Issuer, as set out in Articles 5 and 6 of its By-laws, are as follows:

(i) The Issuer is the central institute of Casse Raiffeisen dell'Alto Adige (hereinafter "**Casse**") and has the scope of strengthening and integrating the activity of the associated Casse complying with principles of subsidiarity.

(ii) In order to reach the corporate scope, the Issuer operates as a bank.

(iii) The Issuer has as an object the promotion and coordination of the activities of the associated Casse on the credit and financial market and of the connected services, offering services of consultancy and acquiring tasks of common interest and entering into agreements and contracts with public and private entities, with category associations and related consortia.

(iv) The Issuer may also exercise, also through controlled companies and in compliance with current legislation and subject to the obtaining of the relevant authorisations, any other activity permitted to the banks, including the creation and management of any kind of pension funds, as well as any other activity or transaction which is instrumental or connected with the reaching of the corporate object.

(v) The Issuer may supply to one or more Casse any good or service of their interest and it may enter into with any counterparty in their name and on their behalf all transactions necessary for such supply.

Use of proceeds

The net proceeds of the issue of each Tranche of Notes will be applied by the Issuer to meet part of its general funding requirements, or as otherwise indicated in the relevant Final Terms or Drawdown Prospectus relating to the issuance including to be applied towards Eligible Green Bonds (including Climate Bonds, certified as such by the Climate Bonds Standard and Certification Scheme), Eligible Social Bonds, or a re-financing of any combination of both Green and Social Bonds (Sustainability Bonds).

PwC delivered to the Issuer an independent second party opinion dated 11 December 2022 on the Sustainability Bond Framework that can be consulted at:

https://www.raiffeisen.it/raiffeisenkasse/Landesbank/2_UEber_uns/5_Produkte_und_Services/3_Obligationen_der_RLB/PwC_Second_Party_Opinion.pdf

Conditions for Determining Price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

Litigation

There are no governmental, legal or arbitration proceedings which may have, or have had during the 12 months preceding the date of this Base Prospectus, a significant effect on the financial position or profitability of the Issuer and its subsidiaries and, so far as the Issuer is aware, no such proceedings are pending or threatened.

No material adverse change / significant change

Since 31 December 2022, there has been no adverse change in the prospects of the Issuer that is material in the context of the Programme or the issue of the Notes and no significant change in the financial performance or financial position of the Issuer or the Issuer and its subsidiaries.

Information on any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Issuer's prospects for at least the current financial year

The Issuer is not aware of any other known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Issuer's prospects for at least the current financial year.

Indication of yield

For any Tranche of Fixed Rate Notes, the relevant Final Terms will provide an indication of the yield. As set out in those Final Terms, the yield will be calculated at the Issue Date on the basis of the Issue Price but should not be regarded as an indication of future yield.

Documents available for inspection

For so long as the Programme remains in effect or any Notes shall be outstanding, copies of the following documents may be inspected during normal business hours at the Specified Office of the Paying Agent, namely:

(a) a certified copy of the By-laws of the Issuer (in German);

(b) the Programme Manual; and

(c) any future base prospectus, prospectuses, information memoranda, supplements, Final Terms to this Base Prospectus and any other documents incorporated herein or therein by reference.

Publication on the Internet

The By-laws (*Statuto*) of the Issuer are available on the Issuer's website at:

https://www.raiffeisen.it/raiffeisenkasse/Landesbank/2_UEber_uns/4_Veroeffentlichungen_und_Berichte/9_Statuten_Gruendungsakt/Statut_DT-ITA_2022.pdf

This Base Prospectus and the documents listed in paragraph (c) above are available on the Issuer's website at:

https://www.raiffeisen.it/de/landesbank/firmenKunden/obligationen-der-raiffeisen-landesbank-suedtirol-ag-1.html

Unless specifically incorporated by reference into this Base Prospectus, information contained on the Issuer's website does not form part of this Base Prospectus.

In addition, this Base Prospectus, each Final Terms relating to Notes which are admitted to trading on the Luxembourg Stock Exchange's regulated market and each document incorporated by reference are available on the Luxembourg Stock Exchange's website (www.luxse.com).

Potential conflicts of interest

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in lending, advisory, investment banking and/or commercial banking or other related transactions with and may perform services for the Issuer and its affiliates in the ordinary course of business and/or with companies involved directly or indirectly in the sectors in which the Issuer operates. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer and/or its affiliates routinely hedge their credit exposure to the Issuer and/or its affiliates consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. For the purpose of this paragraph the term "affiliates" also includes parent companies.

The relevant Final Terms will specify any other interests of natural and legal persons involved in each issue/offer of Notes under the Programme.

Clearing of the Notes

The Notes have been accepted for clearance by Monte Titoli. The Notes will be held in dematerialised form on behalf of the beneficial owners, until redemption or cancellation thereof, by Monte Titoli, for the account of the relevant Monte Titoli Account Holders (including Euroclear and Clearstream, Luxembourg). The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

The registered office and principal place of business of Monte Titoli S.p.A. is Piazza degli Affari 6, 20123 Milan, Italy.

Validity of base prospectus and base prospectus supplements

For the avoidance of doubt, the Issuer shall have no obligation to supplement this base prospectus after the end of its 12-month validity period.

ANNEX 1
AUDITED ANNUAL FINANCIAL STATEMENTS, ACCOMPANYING NOTES AND INDEPENDENT AUDITOR'S REPORTS

2021 Financial Statements

Statement of Financial Position

	ASSET ITEMS	31/12/2021	31/12/2020
10	Cash and cash equivalents	**974,847,447**	**537,067,785**
20	Financial assets measured at fair value through profit or loss	**157,035,793**	**139,502,251**
	a) financial assets held for trading;	24,633,933	25,454,690
	b) financial assets designated at fair value;	0	0
	c) other financial assets mandatorily measured at fair value	132,401,860	114,047,562
30	Financial assets measured at fair value through other comprehensive income	**472,770,915**	**458,852,367**
40	Financial assets measured at amortised cost	**5,276,507,402**	**4,653,804,129**
	a) loans and receivables with banks	2,585,934,081	2,101,774,634
	b) loans and receivables with customers	2,690,573,321	2,552,029,495
70	Equity investments	**26,462,786**	**32,343,604**
80	Property, equipment and investment property	**14,057,845**	**14,716,775**
90	Intangible assets	**123,934**	**30,072**
	of which: Goodwill	*117,400*	*0*
100	Tax assets	**6,878,665**	**10,848,682**
	a) Current	242,351	3,663,228
	b) Deferred	6,636,314	7,185,455
120	Other assets	**39,562,018**	**25,604,519**
	TOTAL ASSETS	**6,968,246,805**	**5,872,770,184**

Statement of Financial Position

	LIABILITIES AND EQUITY	31/12/2021	31/12/2020
10	Financial liabilities measured at amortised cost	**6,443,721,902**	**5,401,945,427**
	a) due to banks	4,465,692,939	3,598,781,753
	b) due to customers	1,152,226,301	1,078,416,102
	c) securities issued	825,802,662	724,747,572
20	Financial liabilities held for trading	**1,127,912**	**1,444,004**
40	Hedging derivatives	**1,183,560**	**2,207,958**
60	Tax liabilities	**11,056,342**	**10,163,108**
	a) current	5,615,510	0
	b) deferred	5,440,831	10,163,108
80	Other liabilities	**38,971,928**	**25,048,894**
90	Post-employment benefits	**3,428,507**	**3,676,031**
100	Provisions for risks and charges:	**2,803,095**	**3,134,081**
	a) commitments and guarantees given	2,422,345	2,672,495
	b) pension and similar obligations	0	0
	c) other provisions for risks and charges	380,750	461,585
110	Valuation reserves	**21,202,073**	**26,711,588**
	of which associated with discontinued operations	*0*	*0*
140	Reserves	**177,012,709**	**149,368,546**
	of which interim dividends	*0*	*0*
160	Share capital	**225,000,000**	**225,000,000**
180	Net income (loss) for the year (+/-)	**42,738,777**	**24,070,547**
	TOTAL LIABILITIES AND EQUITY	**6,968,246,805**	**5,872,770,184**

Income statement

	ITEMS	31/12/2021	31/12/2020
10	Interest and similar income	72,690,779	62,220,380
	of which: interest income calculated with the effective interest method	*41,963,209*	*39,801,020*
20	Interest and similar expense	(30,057,195)	(18,502,760)
30	**NET INTEREST INCOME**	**42,633,583**	**43,717,620**
40	Fee and commission income	37,491,726	28,723,259
50	Fee and commission expense	(17,370,988)	(11,921,389)
60	NET FEE AND COMMISSION INCOME	20,120,738	16,801,870
70	Dividends and similar income	1,588,136	2,079,891
80	Profits (losses) on trading	3,435,893	2,270,404
90	Net hedging income (expense)	37,055	(85,033)
100	Profits (losses) on disposal or repurchase of:	6,921,176	6,208,491
	a) financial assets measured at amortised cost	(1)	2,668,274
	b) financial assets measured at fair value through other comprehensive income	6,953,670	3,558,333
	c) financial liabilities	(32,494)	(18,116)
110	Profits (losses) on other assets and liabilities measured at fair value through profit or loss	14,087,642	615,751
	a) financial assets and liabilities designated at fair value	0	0
	b) other financial assets mandatorily measured at fair value	14,087,642	615,751
120	**NET INTEREST AND OTHER BANKING INCOME**	**88,824,223**	**71,608,994**
130	Net impairment losses for credit risk on:	(8,648,780)	(9,665,837)
	a) financial assets measured at amortised cost	(8,545,420)	(9,728,054)
	b) financial assets measured at fair value through other comprehensive income	(103,360)	62,217
140	Profits (losses) on changes in contracts without derecognition	(20,125)	0
150	**NET INCOME FROM FINANCIAL ACTIVITIES**	**80,155,317**	**61,943,157**
160	Administrative expenses:	(41,214,789)	(36,164,233)
	a) personnel expenses	(21,357,666)	(18,876,116)
	b) other administrative expenses	(19,857,123)	(17,288,117)
170	Net provisions for risks and charges	236,691	(720,789)
	a) commitments and guarantees given	250,151	(611,740)
	b) other net provisions	(13,460)	(109,049)
180	Depreciation and net impairment losses on property, equipment and investment property	(824,171)	(821,225)
190	Amortisation and net impairment losses on intangible assets	(26,449)	(104,676)
200	Other operating expenses (income)	8,721,056	7,073,901
210	**OPERATING EXPENSES**	**(33,107,661)**	**(30,737,022)**
220	Profits (losses) on equity investments	7,027,084	1,448,970
250	Profits (losses) on disposal of investments	(785)	(4,050)
260	**INCOME (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS**	**54,073,955**	**32,651,055**
270	Taxes on income from continuing operations	(11,335,178)	(8,580,508)
280	**INCOME (LOSS) AFTER TAX FROM CONTINUING OPERATIONS**	**42,738,777**	**24,070,547**
300	**NET INCOME (LOSS) FOR THE YEAR**	**42,738,777**	**24,070,547**

Statement of comprehensive income

	Items	31/12/2021	31/12/2020
10.	Net income (loss) for the year	42,738,777	24,070,547
	Other comprehensive income net of income taxes without reclassification to profit or loss		
20.	Equity instruments designated at fair value through other comprehensive income	5,080,311	(1,202,313)
30.	Financial liabilities designated at fair value through profit or loss (change in Bank's creditworthiness)	-	-
40.	Coverage of equity instruments at fair value through other comprehensive income	-	-
50.	Property, equipment and investment property	-	-
60.	Intangible assets	-	-
70.	Defined benefit plans	20,348	(123,549)
80.	Non-current assets held for sale and disposal groups	-	-
90.	Portion of valuation reserves of equity-accounted investments	1,127,919	955,656
	Other comprehensive income net of income taxes with reclassification to profit or loss		
100.	Hedging of investments in foreign operations	-	-
110.	Exchange rate differences	-	-
120.	Cash flow hedges	-	-
130.	Hedging instruments (elements not designated)	-	-
140.	Financial assets (other than equity instruments) at fair value through other comprehensive income	(11,738,084)	7,076,646
150.	Non-current assets held for sale and disposal groups	-	-
160.	Portion of valuation reserves of equity-accounted investments	-	-
170.	**Total other comprehensive income net of income taxes**	**(5,509,506)**	**6,706,441**
180.	**COMPREHENSIVE INCOME (Item 10+170)**	**37,229,270**	**30,776,988**

Statement of changes in equity

	Balance as at 31/12/2020	Change in opening balances	Balance as at 01/01/2021	Allocation of prior year profit	
				Reserves	Dividends and other allocations
Share capital:					
a) ordinary shares	225,000,000	-	225,000,000	-	-
b) other shares	-	-	-	-	-
Share premium reserve	-	-	-	-	-
Reserves:					
a) income related	126,238,280	-	126,238,280	24,070,547	(3,937,500)
b) other	23,130,265		23,130,265		
Valuation reserves:	26,711,581	-	26,711,581	-	-
Equity instruments	-	-	-	-	-
Treasury shares	-	-	-	-	-
Net income (loss) for the year	24,070,547		24,070,547	(24,070,547)	
Equity	**425,150,673**		**425,150,673**		**(3,937,500)**

Changes during the year								
	Equity transactions							
Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary dividend distribution	Change in equity instruments	Derivatives on treasury shares	Stock options	Comprehensive income as at 31/12/2021	Equity as at 31/12/2021
-	-	-	-	-	-	-	-	**225,000,000**
-	-	-	-	-	-	-	-	**-**
-	-	-	-	-	-	-	-	**146,371,327**
7,511,117	-	-	-	-	-	-	-	**30,641,382**
-	-	-	-	-	-	-	(5,509,506)	**21,202,075**
-	-	-	-	-	-	-	-	**-**
-	-	-	-	-	-	-	-	**-**
-	-	-	-	-	-	-	42,738,777	**42,738,777**
7,511,117	**-**	**-**	**-**	**-**	**-**	**-**	**37,229,270**	**465,953,560**

Statement of changes in equity as at 31 December 2020

	Balance as at 31/12/2019	Change in opening balances	Balance as at 01/01/2020	Allocation of prior year profit	
				Reserves	Dividends and other allocations
Share capital:					
a) ordinary shares	225,000,000	-	225,000,000	-	-
b) other shares	-	-	-	-	-
Share premium reserve	-	-	-	-	-
Reserves:					
a) income related	96,936,241	-	96,936,241	29,302,039	-
b) other	22,095,675	-	22,095,675	-	-
Valuation reserves:	21,039,739	-9	21,039,730	-	-
Equity instruments	-	-	-	-	-
Treasury shares	-	-	-	-	-
Net income (loss) for the year	29,302,039	-	29,302,039	(29,302,039)	-
Equity	**394,373,694**	**-**	**394,373,685**	**-**	-

Changes during the year								Equity as at 31/12/2020
	Equity transactions						Comprehensive income as at 31/12/2020	
Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary dividend distribution	Change in equity instruments	Derivatives on treasury shares	Stock options		
-	-	-	-	-	-	-	-	**225,000,000**
-	-	-	-	-	-	-	-	**126,238,280**
1,034,590	-	-	-	-	-	-	-	**23,130,265**
-	-	-	-	-	-	-	5,671,851	**26,711,581**
-	-	-	-	-	-	-	-	**-**
-	-	-	-	-	-	-	-	**-**
-	-	-	-	-	-	-	24,070,547	**24,070,547**
1,034,590	**-**	**-**	**-**	**-**	**-**	**-**	**29,742,398**	**425,150,673**

Statement of cash flows

Indirect method

A. OPERATING ACTIVITIES	31/12/2021	31/12/2020
1. Cash flow from operating activities	**45,531,550**	**40,998,383**
- net income (loss) for the year (+/-)	42,738,777	24,070,547
-capital gains/losses on financial assets/liabilities held for trading and on financial assets/liabilities measured at fair value (-/+) through profit or loss (-/+)	(17,523,534)	(2,886,155)
- capital gains/losses on hedging activities	(37,055)	85,033
- net impairment losses for credit risk (+/-)	8,648,780	9,665,837
- depreciation/amortisation and net impairment losses on property, equipment and investment property and intangible assets (+/-)	850,619	925,901
- net accruals to provisions for risks and charges and other costs/revenues (+/-)	(236,691)	720,789
- unpaid duties, taxes and tax credits (+)	11,335,178	8,580,508
- net value adjustments/write-backs to discontinued operations net of the tax effect (+/-)	-	-
- other adjustments (+/-)	(244,524)	(164,078)
2. Cash flow generated/used by financial assets	**(655,268,090)**	**(911,333,836)**
-financial assets held for trading	18,344,292	653,785
-financial assets designated at fair value	-	-
-other assets mandatorily measured at fair value	(18,354,299)	3,713,609
-financial assets at fair value through other comprehensive income	(13,918,548)	(117,741,539)
-financial assets measured at amortised cost	(631,352,053)	(796,695,651)
- other assets	(9,987,482)	(1,264,039)
3. Cash flow generated/used by financial liabilities	**1,043,859,835**	**867,903,919**
-financial liabilities measured at amortised cost	940,721,385	731,197,173
-financial liabilities held for trading	101,055,090	153,462,778
-financial liabilities designated at fair value	(316,091)	(222,483)
- other liabilities	2,399,451	(16,533,548)
Cash flow generated/used by operating activities	**434,123,295**	**(2,431,534)**
B. INVESTING ACTIVITIES		
1. Cash flow generated by	**5,880,818**	-
- sales of equity investments	5,880,818	-
- dividends from equity investments	-	-
- sales of property, equipment and investment property	-	-
- sales of intangible assets	-	-
- sales of business units	-	-
2. Cash flow used by	**(285,552)**	**(3,078,587)**
- purchases of equity investments	-	(2,297,775)
- purchases of property, equipment and investment property	(165,241)	(767,035)
- purchases of intangible assets	(120,311)	(13,777)
- purchases of business units	-	-
Cash flow generated/used by investing activities	**5,595,266**	**(3,078,587)**
C. FINANCING ACTIVITIES		
- issue/repurchase of treasury shares	-	-
- issue/repurchase of equity instruments	-	-
- dividend distribution and other	(1,935,898)	6,706,440
Cash flow generated/used by financing activities	**(1,935,898)**	**6,706,440**
CASH FLOW GENERATED/USED DURING THE YEAR	**437,782,663**	**1,196,320**

Key

(+) generated
(-) used

Reconciliation

Financial statement items	31/12/2021	31/12/2020
Cash and cash equivalents at the beginning of the year	**537,067,784**	**535,874,464**
Total cash flow generated/used during the year	**437,782,663**	**1,196,320**
Cash and cash equivalents: effect of changes in foreign exchange rates	**(3,000)**	**(3,000)**
Cash and cash equivalents at the end of the year	**974,847,447**	**537,067,784**

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Part A – Accounting policies

A.1 - GENERAL INFORMATION

Section 1 - Statement of compliance with international financial reporting standards

Cassa Centrale Raiffeisen dell'Alto Adige S.p.A. declares that these financial statements as at 31 December 2021 were prepared in accordance with all international accounting standards (IAS/IFRS) adopted by the International Accounting Standard Board and with the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) endorsed by the European Commission, as established by Regulation (EC) no. 1606 of 19 July 2002, as well as the instructions of the Bank of Italy, which were made available to banks by circular no. 262 of 22 December 2005 as amended. These annual financial statements comprise the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flow, as well as the notes to the financial statements and related comparative information. Moreover, the financial statements are supplemented by a report on operations of the Board of Directors and have also been prepared for the purpose of determining the profit for the year for calculating common equity tier 1 capital, as required by Regulation (EU) no. 575/2013 on prudential requirements for credit institutions and investment firms.

Pursuant to Article 5 of Italian Legislative Decree No. 38 of 28 February 2005, the application of International Accounting Standards can be waived only in exceptional cases or when the application of a provision of International Accounting Standards is incompatible with a true and fair view of the financial position, results of operations and cash flows.

In these cases, the notes to the financial statements describe the reasons why the provisions of the international accounting standards are not applicable. In the annual financial statements, any profits from the derogation are entered into a non-distributable reserve.

The accounting policies applied in the preparation of these financial statements as at 31 December 2021 are consistent with those applied in the preparation of the financial statements for the year ended 31 December 2020.

Section 2 - General principles for the preparation of financial statements

The following general principles of IAS 1 were observed in the preparation of the financial statements:

1) **Going concern.** The financial statements were prepared on a going concern basis, which means that assets, liabilities and off-statement of financial position transactions were measured from the perspective of the company's operations.

No uncertainties other than those inherent in the company's business have been identified that may cast doubt on the company's ability to continue as a going concern.

2) **Accrual basis of accounting.** The financial statements were prepared on an accrual basis. Therefore, costs and revenues are recognised on an accrual basis regardless of when they are settled in cash.

3) **Consistency of presentation of the financial statements.** The presentation and classification of items are retained from one period to the next to ensure comparability of information unless a change is justified either by a change in an international accounting standard or its interpretation. When the presentation or classification of items in the financial statements is changed, the comparative amounts are also reclassified, indicating the nature and reasons for the reclassification.

If the accounts are not comparable, those for the previous year are adjusted. The lack of comparability and the adjustment or the inability to make any such an adjustment are reported and commented on in these notes to the financial statements.

4) **Materiality and aggregation.** The financial statements consist of items and sub-items. The envisaged sub-items are aggregated when their amounts are immaterial or when aggregation improves clarity. In this case, the aggregated individual sub-items are shown in the notes to the financial statements.

5) **Offsetting.** Assets and liabilities, cost and revenues may not be offset unless required or permitted by an international accounting standard or an interpretation thereof or by the financial statement formats for banks issued by the Bank of Italy.

6) **Comparative information.** Comparative information for the previous period must be disclosed for all quantitative information, except where an international accounting standard or interpretation thereof envisages or expressly requires an exception. They are also included in comments and descriptions when this is effective for a better understanding of the financial statements.

In the preparation of the financial statements, the formats and guidelines set forth in Bank of Italy Circular no. 262 of 22 December 2005, 7th Update of 29 October 2021, as well as the in Bank of Italy Communication of 15 December 2020 - Supplements to the provisions of Circular no. 262 "Banking Financial Statements: formats and guidelines" on the impact of COVID-19 and measures to support the economy and amendments to IAS/IFRS, updated with subsequent communication from the same Authority dated 21 December 2021, "Update of the supplements to the provisions of Circular no. 262 - Banking Financial Statements: formats and guidelines" were complied with.

Comparative figures as at 31 December 2020 have been restated, where required, to reflect the aforementioned update of Circular 262. The main amendments refer to:

(i) the reclassification of sight deposits and current accounts with banks and central banks to cash and cash equivalents;

(ii) specific and separate disclosure of purchased or originated credit-impaired financial assets;

(iii) the inclusion in the tables of COVID-19 support measures of loans subject to existing moratorium measures that no longer comply with the Guidelines and are not considered as forborne;

(iv) the revision of the fee and commission tables.

2021 was strongly influenced by the impact of the Covid-19 pandemic. Interpretations and proposals on accounting standards to be adopted by the EBA in March, April, June and December 2020, by the ECB in April and December 2020 and by ESMA in March, May and October 2020 have also been taken into account in the preparation of the financial statements.

The amounts shown in the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flow are in €. The amounts in the notes to the financial statements are presented in thousands of € except where the presentation of amounts in thousands of € would not enhance the clarity and immediacy of the information in the financial statements. In the latter case, the items concerned are shown in € in the notes to the financial statements, with an explicit reference to this fact.

In the statement of financial position, the income statement and the notes to the financial statements, items for which there are no amounts for the current or previous year are not shown.

In the income statement, revenues are reported without a sign and costs are reported in brackets. In the statement of comprehensive income, the negative amounts are reported in brackets.

Section 3 - Events after the reporting period

During the period of time between the reporting date of these financial statements and their approval by the Board of Directors on 21 March 2022, no events took place which led to an adjustment of the figures approved at that time nor were there any significant events that would require an amendment to the disclosure provided.

Section 4 - Other aspects

External audit

The annual financial statements are audited externally by the independent auditors EY S.p.A. pursuant to Articles 14 and 16 of Italian Legislative Decree no. 39/2010, as amended by Italian Legislative Decree no. 135/2016, and in accordance with the relevant task assigned by the shareholders' meeting on 18 May 2020.

IAS 8 Accounting standards, changes in accounting estimates and errors

Cassa Centrale Raiffeisen dell'Alto Adige declares that it is not aware of any errors requiring disclosure for the purposes of IAS 8, paragraphs 28, 29, 30, 31, 39, 40 and 49. Therefore, there is no material risk that would result in significant adjustments to the carrying amounts of assets and liabilities within the next financial year.

Italian Law no. 124 of 4 August 2017, art. 1, paragraph 125

This provision was reformulated in Article 35 of Italian Law no. 58/2019. It imposes specific transparency obligations on all companies registered in the Companies Registry. In particular, companies that receive grants, subsidies, benefits, contributions or aids, whether in cash or in kind, which are not of a general nature and do not involve payment, remuneration or compensation, must disclose such amounts in the notes to the financial statements.

The obligation to publish does not apply if the amount of these contributions in the period under review is less than € 10,000.

In 2021, Cassa Centrale Raiffeisen dell'Alto Adige did not receive any such contributions from the public administration.

Mandatory accounting standards as from 1 January 2021

The accounting standards used for preparing these financial statements, with reference to classification, recognition, measurement and derecognition criteria for each asset and liability item, as with the recognition methods for revenues and costs, have not changed with respect to those used for preparing the 2020 Financial Statements.

IFRS 16

On 31 December 2018, the European Commission approved the accounting standard IFRS 16-Leases (Reg. (EU) 2017/1986) which, as from 1 January 2019, must be applied in the preparation of financial statements.

IFRS 16 redefines lease transactions. At the beginning of the contract, the entity must assess whether the contract is, or contains, a lease. The contract is, or contains, a lease if, for consideration, the right to control the use of a specified asset is transferred for a specified period of time. Thus, the accounting standard also applies to medium- and long-term leases.

With Regulation no. 1434/2020 of 9 October 2020, amendments were made to IFRS 16-Leases to provide lessees with a practical solution for amendments to contracts related to Covid-19 pandemic measures. These amendments consist in the possibility of not applying the accounting rules on amendments to contracts following forbearance measures that are attributable to the Covid-19 pandemic, if certain conditions are met.

This amendment to IFRS 16 has no major impact on the financial statements of Cassa Centrale Raiffeisen dell'Alto Adige.

IFRS 9

With reference to the application of IFRS 9, the following information is presented:

Stage allocation

In line with the provisions of IFRS 9, the Bank applies a process for the allocation of financial assets (stage allocation), on and off-statement of financial position, classified in the accounting categories of financial assets measured at fair value through other comprehensive income with recycling (i.e. financial assets whose OCI reserve is transferred to the income statement when the instrument is derecognised, either by maturity or sale) and at amortised cost.

Cassa Centrale Raiffeisen dell'Alto Adige uses different stage allocation criteria depending on the type of financial asset and counterparty.

The stage allocation process takes place on a monthly basis using a uniform impairment calculation model.

On-statement of financial position and off-statement of financial position credit exposures to customers, recognised as "Financial assets measured at amortised cost", are divided into performing and non-performing loans, in accordance with Bank of Italy Circular no. 272/2008 as amended. With regard to the identification of non-performing loans, Cassa Centrale Raiffeisen dell'Alto Adige adopts a debtor-by-debtor approach. Consequently, the classification as non-performing loans includes all on-statement of financial position and off-statement of financial position exposures to the same counterparty.

Credit exposures to customers: Operational criteria for stage allocation

- **Transactions with regular performance (performing)**

In line with the provisions of IFRS 9 and with regard to on and off-statement of financial position transactions with counterparties that are performing, Cassa Centrale Raiffeisen dell'Alto Adige identifies any significant increase/decrease in credit risk in order to allocate exposures to stage 1 or stage 2, based on the following elements:

- quantitative elements, which take the form of a comparison between the lifetime PD at the time of disbursement and the lifetime PD at the reporting date;
- qualitative elements reporting an actual and significant increase in credit risk (including the "forborne" characteristic, i.e. forborne loans);
- the enforceable presumption concerning more than 30 days past due/overdue.

In particular, transactions that meet all of the following conditions are not considered to represent a significant increase in credit risk and stage allocation 1 is therefore possible:

- the change in the lifetime PD at the time of disbursement from the lifetime PD at the reporting date is not considered significant;

- the transaction is not classified as a forborne performing position;
- the qualitative conditions for a significant increase in credit risk did not materialise;
- the number of days past due/overdue is no more than 30 days and the materiality threshold, calculated on a transaction-by-transaction approach, is less than 1%.

On the other hand, the transactions that do not have the characteristics mentioned in the previous points are allocated to stage 2.

The methodology used to calculate the significant increase in credit risk from a quantitative perspective, known as the Delta PD model, is capable of assigning a rating value to each transaction at the time of disbursement and at the reporting date through the use of objective inputs.

However, counterparties without a rating at the date of disbursement (after 1 January 2018), but which have the characteristics to have one, are allocated to stage 2 if no rating has been assigned to them within six months.

Cassa Centrale Raiffeisen dell'Alto Adige makes sure that the qualitative conditions identified for the transition to stage 2 have not been met in order to allocate to stage 1 those transactions that do not represent a significant increase in credit risk from a quantitative perspective. The qualitative variables consist of early warning indicators in the monitoring system of Cassa Centrale Raiffeisen dell'Alto Adige, which identify a possible difficulty in terms of business continuity and/or the fulfilment of financial obligations.

In the light of the explicit requirement of the Basel Committee for the limited use of practical expedients and according to a cost-benefit opportunity assessment, Cassa Centrale Raiffeisen dell'Alto Adige did not deem it appropriate to incur additional operating costs for the purpose of conducting analyses with the objective of rejecting the enforceable presumption of a significant increase in credit risk. Therefore, at the FTA date and at the end of the subsequent reporting periods, Cassa Centrale Raiffeisen dell'Alto Adige allocates in stage 2 the transactions that are more than 30 days past due/overdue and have a materiality threshold of 1% or more calculated per transaction.

- **Non-performing transactions**

Cassa Centrale Raiffeisen dell'Alto Adige adopted the new definition of default pursuant to Article 178 of the CRR (Capital Requirements Regulation), which came into force on 1 January 2021 for the purpose of allocating loans to the categories of non-performing transactions. Therefore, on initial recognition and subsequent measurements, individual transactions relating to counterparties classified in one of the categories of non-performing loans envisaged by Bank of Italy Circular no. 272/2008 are allocated to stage 3.

- **Forborne transactions**

With reference to forborne transactions classified in the accounting categories "Financial assets measured at amortised cost" (CA) or "Financial assets measured at fair value through other comprehensive income" (FVTOCI), at each measurement date, Cassa Centrale Raiffeisen dell'Alto Adige:

- allocates in stage 3 the transactions identified as forborne non-performing exposures, as they relate to counterparties classified within one of the non-performing loan categories;
- allocates in stage 2 the transactions identified as forborne performing exposures, as these are performing transactions for which the financial difficulty of the debtor is clarified and, therefore,

their allocation to stage 1 is not deemed reasonable and consistent with the requirements of IFRS 9.

It should be noted that the allocation of forborne performing transactions to stage 2 is to be confirmed until such time as, at the end of the probation period, the transaction meets the exit criteria from the non-performing loan categories envisaged in Regulation (EU) 227/2015.

Portfolio of loans and receivables with banks and Securities portfolio: operational criteria for stage allocation

The stage allocation process also applies to on-statement of financial position and off-statement of financial position credit exposures to banks and debt securities recognised at the FTA date or at a subsequent measurement date as part of "Financial assets measured at amortised cost" or "Financial assets measured at fair value through other comprehensive income with recycling".

For the purposes of the stage allocation process, in compliance with IFRS 9, through an external rating remapped on the internal scale relating to companies:

- the performing transactions/ISIN are allocated to stage 1 and/or 2;
- the non-performing transactions/ISIN are allocated to stage 3.

On the other hand, securities (ISIN) without rating are allocated to stage 2.

With regard to debt securities and loans and receivables with banks, Cassa Centrale Raiffeisen dell'Alto Adige, in the same way as in the case of loans and receivables with customers, on FTA and at each subsequent measurement date, makes sure that no significant increase in credit risk has occurred with respect to the date on which the transaction was entered into or the security purchased.

In particular, Cassa Centrale Raiffeisen dell'Alto Adige is of the opinion that no significant increase in credit risk has occurred and, therefore, those transactions/ISINs for which all of the following conditions are met can be allocated to stage 1:

- they are identifiable as transactions with low credit risk;
- although they are not low credit risk exposures, they have not shown a significant increase in credit risk since the date of disbursement.

On the other hand, the transactions/ISIN that do not have the characteristics mentioned in the previous points are allocated to stage 2.

Finally, the transactions/ISINs with the internal rating class comparable to the ECAI rating agency class "D" are allocated to stage 3.

According to IFRS 9, paragraph 5.5.10, the credit risk related to a financial instrument can be assumed not to have increased significantly after initial recognition if it is determined that the financial instrument has low credit risk at the FTA or subsequent measurement date.

According to paragraph B5.5.22 of IFRS 9, the credit risk of a financial instrument is considered low if the following conditions are met:

- the financial instrument has a low risk of default;
- the debtor has a strong capacity to meet its contractual obligations in terms of short-term cash flows;

- adverse changes in economic and business conditions may, but will not necessarily, reduce the debtor's ability to meet its contractual cash flow obligations.

On the other hand, the credit risk of a financial instrument is not considered to be low if:

- it has a low risk of loss only because of the value of the collaterals, but without which, it would not be considered low credit risk;

- it has (only) a lower risk of default than other financial instruments of the same counterparty or compared to the jurisdiction in which the debtor operates.

In accordance with paragraph B5.5.23 of IFRS 9, internal rating systems or other methods consistent with a widely accepted definition of low credit risk may be used to determine when a financial instrument has low credit risk. In particular, a financial instrument can be considered as having low credit risk if the internal rating class is comparable to the investment grade of the ECAI rating agencies.

If no rating is available, Cassa Centrale Raiffeisen dell'Alto Adige uses an internal rating system based on external ratings that are rescaled to an internal basis used for companies and defines the level of investment grade according to the Standard & Poor's rating scale as the threshold for low credit risk.

Therefore, all transactions/ISINs identified as low credit risk are allocated to stage 1, while those transactions/ISINs that do not have the characteristics of low credit risk are assessed to determine whether a significant increase in credit risk has occurred.

Therefore, in accordance with paragraph 5.5.9 of IFRS 9, Cassa Centrale Raiffeisen dell'Alto Adige assesses whether the credit risk relating to the financial instruments in question has increased significantly since initial recognition with regard to the transactions/ISINs not identified as low credit risk.

Therefore, in order to determine whether a significant increase in credit risk has occurred, Cassa Centrale Raiffeisen dell'Alto Adige compares the probability of default (PD) of the financial instrument at the date of initial recognition with the probability of default at the end of the reporting period.

To analyse this change, the general rule in IFRS 9, paragraph 5.5.9, is to consider the probability of default over the expected life of the financial instrument (PD lifetime).

The significant increase in credit risk is quantified by checking the following aspects:

- exceeding the probability of default (PD) of the risk position by a predefined threshold, based on a delta PD model;

- exposure that is more than 30 days past due (taking into account a threshold of 1% calculated on the respective credit line);

- the credit line was classified as a forborne exposure;

- an expert assessment, including - but not necessarily - on the basis of defined indicators, confirms that there has been a significant increase in the credit risk of the position, but that there is no basis for classifying it as a non-performing exposure;

- position without a rating.

Therefore, Cassa Centrale Raiffeisen dell'Alto Adige, at the end of the reporting period and subsequent measurement dates, compares:

- the external rating mapped to the internal rating class based on the delta pd model for securities at the time of the transaction/purchase of the instrument (by tranche);

- the external rating mapped to the internal rating class based on the delta pd model for securities at the FTA or subsequent measurement date.

The transactions/ISINs that have shown a significant increase in credit risk are allocated to stage 2, otherwise to stage 1.

The counterparties without rating are allocated to stage 2 without further analysis.

Impairment

The impairment model according to IFRS 9 requires the allocation of all receivables and loans, cash and off-statement of financial position into three stages corresponding to different methods of calculating the losses to be recognised.

The calculation of the expected credit loss (ECL) is differentiated according to the allocation of the transactions in:

- Stage 1: the expected loss is measured within a one-year time horizon; all performing financial assets for which there has been no significant deterioration in creditworthiness since initial recognition are allocated to stage 1;
- Stage 2: the loss is measured over a time horizon covering the life of the instrument to maturity (lifetime expected loss);
- Stage 3: the expected loss is calculated over the lifetime of the financial instrument, but unlike for stage 2 positions, the expected lifetime loss is calculated as part of an analytical valuation.

Moreover, for all allocation stages, including stage 1, the estimation of expected loss takes into account the dependence on macroeconomic factors, e.g. relating to the economic sector or geographic area, and a combination of forward-looking information that is available without excessive cost or effort.

One of the most significant changes in the impairment model compared to IAS 39 is the use of not only historical information (e.g. information on past losses on loans), but also future forecasts with a level of judgement and accuracy that depends on the availability and detail of the data collected.

The standard also requires consistency between estimates of changes in expected loss and changes that can be inferred from period data; these estimates must be back-tested and recalibrated periodically. Therefore, inputs, assumptions, methods and calculation techniques need to be reviewed periodically, and possible adjustments need to be analysed and envisaged to close the gap between recorded historical losses and current expectations.

Purchased or originated credit impaired (POCI)

Purchased or originated credit impaired refer to exposures where the credit risk is already very high at initial recognition.

In this area, there are two different types:

(i) instruments or portfolios of non-performing loans purchased on the market (purchased credit impaired - PCI);

(ii) loans granted by the bank to a customer already classified in stage 3 (originated credit impaired - OCI). The credit lines granted under restructuring agreements pursuant to Article 182 of the Bankruptcy Law are also classified as OCI, even if granted to newly acquired customers.

The identified OCI transaction will be classified as forborne non-performing if all conditions are met. If the 1-year cure period is exceeded, the transaction may be classified as forborne performing in stage 2. In connection with becoming performing, and even after the two-year probation period, the OCI transaction cannot be classified in stage 1 under any circumstances, as this classification is incompatible with the measurement based on the ECL lifetime.

Cassa Centrale Raiffeisen dell'Alto Adige started to implement a process to identify POCI when the above requirements are met.

Determining Probability of Default (PD) and Loss Given Default (LGD) and the Impact of Forward-Looking Information on Financial Assets

The PD and LGD parameters used to calculate expected credit losses are derived using specific quantitative models. Exposure at default (EAD), on the other hand, is equivalent to the use of credit and is not subject to further modelling.

The PD used to calculate expected credit losses for credit exposures allocated to stage 1 and 2 in accordance with IFRS 9 is determined using a mathematical model. This model is based on discreet-time non-homogeneous Markov chains that are defined separately for enterprise and private customer segments. For this purpose, the average future probability of default is estimated for each rating class. In line with IFRS 9, the model addresses the need to provide point-in-time measurements and includes forward-looking information.

The PDs for the full life of the financial assets were adjusted before the end of 2021 to reflect the recent developments in the economic environment, taking into account appropriate macroeconomic scenarios.

In order to include forward-looking information, three possible macroeconomic scenarios (positive, baseline and stress) are defined and then weighted according to their probability of occurrence. The three scenarios used are based on forecasts of relevant macroeconomic indicators (e.g. gross domestic product, unemployment rate, interest level or inflation) for 2022, 2023 and 2024 by Banca d'Italia, Österreichische Nationalbank (the Austrian National Bank) and the European Banking Authority (EBA) (Bank of Italy Macroeconomic Projections, latest available EBA stress test in which macroeconomic scenarios are taken into account ("Macro-financial scenario for the 2021 EU-wide banking sector stress test")). The stress scenario and the baseline scenario (i.e. the scenario under normal conditions) are calculated on the basis of explicit forecasts. On the other hand, the positive scenario is derived indirectly from a statistical distribution hypothesis.

The probabilities of the macroeconomic scenarios materialising have been adjusted to reflect the uncertainty in the forecasts due to the pandemic (45% for the stress scenario, 50% for the baseline scenario, 5% for the positive scenario). The PDs for the full duration of financial assets were determined through a quantitative analysis of historical fluctuations, based on an assumption of the distribution of key macroeconomic indicators. For the 2021 financial statements, the probability of occurrence of the macroeconomic scenarios was calculated as 25% for the stress scenario, 50% for the baseline scenario and 25% for the positive scenario.

PDs for the full life of financial assets, which are determined using macroeconomic scenarios, refer to a maximum period of 30 years.

PDs of exposures that cannot be rated using the internal rating model but have an external rating provided by a rating agency recognised by the supervisory authorities are derived from the external rating. For this purpose, the probability of default corresponding to the external rating is translated into the internal rating scale for enterprise customers and the counterparty is assigned the average PD of the corresponding internal rating class. The latter approach also applies to the securities portfolio. For a small portion of credit exposures that cannot be rated using the internal rating model and do not have an external rating, simplified approaches are used to determine the rating.

The identification of LGD rates for performing exposures is based on the segmentation of the counterparty (enterprise or private customers) and the credit line in combination with the collateral provided. The LGD rate for performing exposures is calculated indirectly using a workout approach that combines various credit risk factors. A single LGD rate of 45% is used for exposures to banks and securities.

For the calculation of expected credit losses, specific LGD rates are estimated in accordance with IFRS 9, taking into account forward-looking information. A single credit conversion factor of 30% is used for off-statement of financial position exposures.

Exposures whose credit risk has increased significantly since initial recognition and which are therefore classified as non-performing exposures (exposures more than 90 days past due, unlikely to pay and bad loans) are allocated in stage 3. While the level of bad debt provisions (i.e., for adjustments and write-downs) for stage 1 and 2 exposures is determined according to the model for calculating expected losses on loans and receivables, stage 3 exposures are generally measured by Cassa Centrale Raiffeisen dell'Alto Adige on an individual basis, with a minimum amount (floor) of 10% of the (residual) exposure being set aside for impairment loss. A credit conversion factor of 30% is applied for stage 3 off-statement of financial position exposures.

Refining and updating the PD model in accordance with IFRS 9 and backtesting analysis of the internal rating system

As part of the backtesting of the rating model and for the purpose of validating the internal rating model, the following factors are examined using a structured, quantitative analysis based on statistical methods:

– representativeness (population stability index);

– stability (calculation of annual migration matrices and analysis of their stability);

– performance (truth matrix, ROC (receiver operating characteristic) curve);

– calibration (binomial test);

– overriding (quota analysis and concentration of overrides);

– concentration (Herfindahl index).

The results of the retrospective adjustments carried out last year were satisfactory with respect to all of these factors. The rating model is capable of correctly classifying exposures; it shows stable results in terms of concentration, stability and calibration factors.

Use of estimates and assumptions in drawing up the financial statements

The preparation of the financial statements also requires the use of estimates and assumptions that may have a significant impact on the amounts reported in the statement of financial position and income statement, as well as on the potential assets and liabilities in the notes to the financial statements. The calculation of these estimates involves the use of all available information and the adoption of subjective evaluations, based also on past experience, to formulate reasonable assumptions in order to record management events. By their nature, the estimates and assumptions used can vary over the years and it cannot therefore be ruled out that in subsequent years the values recorded may vary materially as a result of changes in the subjective evaluations used.

The main cases where the use of subjective evaluations is most required by the company management are:

– the quantification of impairment losses of loans and receivables and other financial assets;

– the determination of the fair value of financial instruments to be used for the purposes of the notes to the financial statements;

- checking any impairment of equity investments;
- the use of internal valuation models to determine the fair value of financial instruments that are not listed on active markets;
- the quantification of post-employment benefits and provisions for risks and charges;
- estimates and assumptions made with regard to the recoverability of deferred tax assets.

The description of the accounting policies applied to the main financial statement aggregates provides the information required to identify the main subjective assumptions and evaluations used in the preparation of the financial statements.

Measures in response to the Covid-19 pandemic

The Covid-19 pandemic and the measures implemented by the government to contain it continued to have a significant impact on lending in 2021. Support measures to counter this pandemic, mainly moratoria, continued to play an important role in 2021, although to a lesser extent than in the previous year. The EBA (European Banking Authority) Guidelines published on 2 April 2020 (ABE/GL/2020/02) providing special treatment for moratoria related to the Covid-19 crisis remained in force until 31 March 2021. This special treatment included a simplified processing of moratorium requests and the possibility to keep the corresponding loans in the current risk category. The EBA's decision not to extend these guidelines had a significant impact on banks. As a result, other customer moratorium requests had to be processed and assessed according to current supervisory regulations, and special treatment for Covid-19-related requests was no longer possible.

As a result, it was again necessary to quickly adapt the operational processes for processing new customer moratorium requests. In order to deal with these requests in an efficient manner, specific conditions of access have been defined, as well as a scoring system to ensure the objectivity of the latter. This scoring system was based on key statement of financial position data prior to the onset of the Covid-19 crisis to determine whether the customer was in financial difficulty before the pandemic. In addition, the development of the banking system's turnover and debt in 2020 was taken into account in order to get a picture of the development of the respective position during the crisis period. Following the scoring system, the following results could be outlined:

- In the best case, the evaluation showed that no further moratorium measures were needed;
- any moratorium measure granted after 31 March 2021 (after the expiry of the EBA Guidelines) was to result in the mandatory classification of the position as "forborne" under supervisory regulations (forbearance measure);
- On the basis of the result of the scoring system, a higher risk class classification was considered, which could take the form of inclusion of the position in the "watch list", although in this case the entire exposure of the borrower would have to be classified in stage 2, or, in more serious cases, in stage 3 as a non-performing exposure.

The higher risk costs resulting from the assignment of the "forborne" characteristic under the supervisory regulations (forbearance measure) or from the classification in a higher risk class were recognised in the profit or loss. In addition to the support measures in the form of moratoria offered by the bank on its own initiative, the Italian government also reacted to the ongoing crisis by extending on 30 December 2020 the measures provided for in the "Cura Italia" Decree Law of 17 March 2020 until 30 June 2021. The extension of these measures was automatic and without any formality, unless the customer expressly waived the extension. Customers who had not yet benefited from moratorium measures had until 31 January 2021 to apply for them. However, banks were required to apply the supervisory provisions on forbearance measures also in these cases of automatic extension, if these provisions did not coincide with the special provisions related to the Covid-19 crisis under the EBA Guidelines. Also in these cases, the correct classification of the exposure, i.e. whether in stage 2 or 3, was assessed. Finally, Italian Decree Law no. 73 of 25 May 2021 introduced the possibility of extending the moratorium measures under the "Cura Italia" Decree Law one more time until 31 December 2021. In this case, the customer had to apply to the bank by 15 June 2021.

The Italian Banking Association (ABI) also provided support measures for SMEs affected by the Covid-19 crisis, which were extended on 17 December 2020 until 31 March 2021 due to the ongoing crisis.

As a result of the ongoing crisis, the Autonomous Province of Bolzano also reacted and, with resolution no. 264 of 16 March 2021, introduced the possibility of postponing the payment of instalments on subsidised loans from 30 June 2021 to 30 September 2021 for those who have not benefited from the moratorium on revolving loans introduced by resolution no. 258 of 15 April 2020, and of postponing the payment of instalments on lease financing from March to August to 30 September 2021.

The entry into force of the new definition of default under Article 178 of the CRR on 1 January 2021 also weighed on banks. It provides for stricter criteria for the classification of defaulting debtors. The relative threshold for classifying exposures by more than 90 days past due and/or overdue was reduced from 5% to 1%. This means that the bank is required to classify the exposure as non-performing even if it is slightly past due or overdue. In addition, stricter criteria were introduced for the extension of risk to other related positions. When a credit exposure is classified as non-performing, banks are required to assess the contagion risk of related exposures (e.g. partners in a company or companies within a group) and, where appropriate, to classify them as non-performing as well. At the bank level, this is reflected not only in higher risk costs, but also in higher administrative costs for managing and monitoring exposures due to the stricter requirements for exposures in stage 2 and 3. Therefore, the bank has put in place the technical supports to ensure the proper management of exposures, and has also defined the relevant regulations and processes.

Benchmark Regulation (EU)

With Regulation no. 2016/1011 of 8 June 2016, the European Union launched the reform of the benchmark indexes for determining interest rates. The purpose of this regulation is to create a single regulatory basis for the entire financial sector. Therefore, for financial and banking contracts, transaction-based interest rates or risk-free interest rates are to be used as benchmark indexes instead of the interbank interest rates previously used. The regulation also provides for valid replacement clauses in the financial or banking contracts and agreements used (fallback rule). Such clauses must specify an alternative benchmark index to be used if the original benchmark index is unavailable or has changed significantly.

In order to be able to implement these new provisions, the financial and banking contracts used within Cassa Centrale Raiffeisen dell'Alto Adige were checked with respect to the benchmark indexes for determining interest rates and replacement clauses.

The next step will be the periodic registration of the benchmark indexes and replacement clauses to be used in the financial and banking contracts of Cassa Centrale Raiffeisen dell'Alto Adige in accordance with the guidelines of the competent authorities.

TLTRO III refinancing operations and related accounting

<u>Operations</u>

TLTROs (targeted longer-term refinancing operations) are loans granted by the ECB to European banks to support the ECB's economic policy objectives, in particular by encouraging lending to enterprises and private and thereby stimulating the economy.

The third series of these operations (TLTRO III) is regulated by the ECB Governing Council Decision of 22 July 2019 as amended in September 2019, March and April 2020, and January and April 2021.

These operations provide participating banks with access to refinancing facilities with predetermined start and maturity dates, divided into 10 tranches (quarterly payments from September 2019 to December 2021). The duration of the loan is three years with the possibility of early repayment after two years.

In August 2019, Cassa Centrale Raiffeisen dell'Alto Adige participated in the TLTRO III operations as the lead bank of the TLTRO III group together with the other participating banks of the Raiffeisen cooperative IPS (RIPS).

Each bank is free to determine the amount of the loan it will use for each tranche, subject to its own maximum amount. The maximum amount depends on the stock of loans eligible for these operations on 28 February 2019 in accordance with the relevant regulations. The corresponding parameter is 55% of the stock of eligible loans, which means that Cassa Centrale Raiffeisen dell'Alto Adige is subject to a lending limit of € 7,229,782 thousand for TLTRO III operations.

As at 31 December 2021, Cassa Centrale Raiffeisen dell'Alto Adige, as leading bank, used TLTRO III financing of € 3,533,810 thousand, broken down as follows:

Tranche	**Currency**	**Amount (in thousands of €)**	**Maturity date**
1	25/09/2019	34,500	28/09/2022
2	18/12/2019	158,160	21/12/2022
3	25/03/2020	122,000	29/03/2023
4	24/06/2020	1,988,720	28/06/2023
5	30/09/2020	285,000	27/09/2023
6	16/12/2020	201,500	20/12/2023
7	24/03/2021	265,000	27/03/2024
8	24/06/2021	239,500	26/06/2024
9	29/09/2021	40,630	25/09/2024
10	22/12/2021	198,800	18/12/2024
Total		**3,533,810**	

Most of these loans were transferred to the Raiffeisen member banks. The amount remaining as a loan from Cassa Centrale Raiffeisen dell'Alto Adige is € 1,067,809,000.

<u>Definition of conditions:</u>

The economic conditions of these refinancing operations have been adapted several times by the Governing Council of the ECB to the current economic situation in the Eurozone. TLTRO III operations are variable rate operations, indexed to the ECB benchmark rates (the main refinancing rate and the interest rate on central bank deposits).

In particular, incentive mechanisms to encourage lending to enterprises and private were included in the definition of conditions.

The duration of the TLTRO III operation is divided into three periods with regard to the applied interest rate:

(a) 1. Special interest rate period 24/06/2020 -23/06/2021, during which an additional bonus of 0.5% is granted

(b) 2. Special interest rate period 24/06/2021 -23/06/2022, during which an additional bonus of 0.5% is granted

(c) Normal interest rate period for all other days of the duration of the loan.

The conditions set for the participating banks depend on the development of the eligible loans, which is determined by comparing the development of the periods 01/10/2020 -31/12/2021(second special reference period), 01/03/2020 -31/03/2021 (first special reference period) and 01/04/2019 -31/03/2021 (second reference period) with that of the period 01/04/2018 -31/03/2019 (first reference period). At the same time, thresholds for the achievement of the targets were set for both special reference periods and for the second reference period.

Since Cassa Centrale Raiffeisen dell'Alto Adige was able to achieve the targets for eligible loans in the first special reference period and therefore, according to the TLTRO III regulation, the achievement of the targets in the second reference period is no longer relevant, two scenarios remain regarding the applicable conditions for TLTRO III financing (target achieved/target not achieved in the second special reference period).

This incentive mechanism makes it possible to assign a corresponding interest rate to each scenario and tranche of the interest rate period. Based on the weighting of the days of the special interest rate period or the days of the normal interest rate period with the days of the duration of the loan, an average tranche interest rate (in %) is obtained for each of the two scenarios as shown in the table below:

Scenario	**Tranche 1-4**	**Tranche 5**	**Tranche 6**	**Tranche 7**	**Tranche 8**	**Tranche 9**	**Tranche 10**
1 (target achieved in the second special reference period)	0.83212	0.78938	0.75250	0.70792	0.66621	0.62271	0.58425
2 (target not achieved in the second special reference period)	0.66606	0.62225	0.58644	0.54186	0.16621	0.12271	0.08425

Accounting and reference assumptions

Cassa Centrale Raiffeisen dell'Alto Adige did not evaluate the TLTRO III refinancing and, in particular, the conditions for it, such as subsidies or other public administration contributions, and therefore applied IFRS 9 exclusively. This approach is based on the assumption that the ECB acts as a market operator and that every bank in the Eurozone has access to these refinancing operations under these conditions. Therefore, these conditions are presented as market conditions and not as subsidies. In accordance with IFRS 9, this liability is to be recognised as a financial liability measured at amortised cost and with a net effective interest rate. Due to the insignificant difference between the effective interest rate and an average interest rate, Cassa Centrale Raiffeisen dell'Alto Adige waives the application of the effective interest rate method and calculates the interest income resulting from the TLTRO III operation using the above average rates. The recognition of interest income accrued in the 2021 period is mandatory under IFRS 9.

In the second special reference period, Cassa Centrale Raiffeisen dell'Alto Adige succeeded in achieving the targets for eligible loans. Therefore, Cassa Centrale Raiffeisen dell'Alto Adige recognised interest income (negative interest for the loan received) according to the interest rates of the first scenario.

This resulted in interest income of € 28,092 thousand for 2021 for Cassa Centrale Raiffeisen dell'Alto Adige.

The TLTRO III financing and the corresponding accrued interest are included in liability item 10 a) "Due to banks", while the interest on this transaction is recognised as interest income in item 10 of the income statement.

Impacts on own funds attributable to the first-time adoption of IFRS 9

With Regulation (EU) no. 2395 of 12 December 2017, Regulation no. 577/2013 (known as CRR) was updated through the inclusion of the new Article 473 bis "Introduction of IFRS 9", containing the transitional provisions on the effects of the first-time adoption of IFRS 9. The objective of the new rules is to defer the impact on own funds deriving from the use of the new impairment model on all financial instruments. The adjustment of common equity tier 1 capital (CET 1) is planned for the period between 2018 and 2022, including in the calculation of CET 1 the impact of the increase in provisions for expected losses to the extent indicated below for each of the five years of the transition period:

2018: 95%, 2019: 85%, 2020: 70%, 2021: 50% e 2022: 25%.

Regulation (EU) no. 873/2020 introduced an additional transitional provision on value adjustments of performing loans (stage 1 and 2). Therefore, for 2021, these value adjustments cannot be deducted 100% from own funds.

Cassa Centrale Raiffeisen dell'Alto Adige decided to make use of the new transitional regime of Art. 473. bis., as defined in Regulation (EU) 2020/873.

Moreover, in order to ensure a like-for-like comparison, banks using the transitional arrangements must provide appropriate disclosures on own funds, capital absorption and prudential ratios.

A.2 MAIN ITEMS IN THE FINANCIAL STATEMENTS

Assets

Item 10. Cash and cash equivalents

This item includes legal tender banknotes and coins as well as sight deposits with the Bank of Italy. Foreign currency balances are translated into euro at the exchange rate prevailing at the end of the reporting period.

This financial statement item also includes, for the first time, loans and receivables with banks at sight under the 7th update of Bank of Italy Circular no. 262/2005.

Item 20. Financial assets at fair value through profit or loss (FVTPL)

This item includes all financial assets not classified in the portfolio "Financial assets at measured fair value through other comprehensive income" and in the portfolio "Financial assets measured at amortised cost".

However, for certain investments in equity instruments that would otherwise be measured at fair value through profit or loss, upon initial recognition an entity may make an irrevocable choice of presenting subsequent changes in fair value in other comprehensive income.

A financial instrument is measured at fair value through profit or loss (FVTPL) if:

- it is given a business model (other -trading) whose objective is achieved through the sale of financial instruments;
- the fair value option (FVO) is applied;
- it fails the SPPI test.

If the fair value of a financial asset becomes negative (e.g. for derivative contracts), this asset is recorded under item 20 "Financial liabilities held for trading".

Item 20. a) Financial assets held for trading

Financial assets held for trading can consist of debt securities, equity instruments, loans, OEIC units and derivatives.

Classification

Financial assets are classified as held for trading if:

- they were mainly acquired with the intention of selling them in the short term;
- they form part of a portfolio of clearly identified and jointly managed financial instruments for which a short-term profit strategy is pursued;
- they represent a derivative, except for those used for hedging purposes. Derivatives that are recognised separately from the host contract when all the prescribed conditions for separation are met are also taken into account.

Item 20. c) Financial assets mandatorily measured at fair value

Classification

This category includes financial assets mandatorily measured at fair value (debt securities, equity instruments, investment fund units not held for trading and loans) that do not meet the requirements for classification at amortised cost or at fair value through other comprehensive income and that are not held for trading.

For the sub-items a) Financial assets held for trading, b) Financial assets designated at fair value and c) Financial assets mandatorily measured at fair value, the following accounting criteria are applied:

Initial recognition

The FVTPL financial assets are recognised in the financial statements when Cassa Centrale Raiffeisen dell'Alto Adige becomes a contracting party. For debt securities, investment funds and equity instruments this corresponds to the settlement date, for loans to the disbursement date, and for OTC derivative contracts to the date the contract is entered into.

FVTPL financial assets are initially recognised at fair value, which is generally the consideration paid by the bank, less transaction costs that are recognised immediately in profit or loss when directly attributable to the financial asset.

Derivative instruments held for trading are recognised on date the contract is signed (trade date) and measured at the value of the consideration paid.

Measurement

After initial recognition, FVTPL financial assets are measured at their fair value at the end of each reporting date. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and under current market conditions. For the purposes of determining fair value, reference is made to the three-level fair value hierarchy (hereinafter also referred to as "stage") under IFRS 13. The assignment to one of the three levels of fair value is not based on subjective parameters as the valuation techniques used (pricing models) are mainly based on observable market inputs. This minimises the use of unobservable market inputs. The valuation technique used for a financial instrument is maintained over time. It is changed only as a result of significant changes in market conditions or in the subjective conditions of the issuer of the financial instrument.

For instruments quoted in active markets, fair value corresponds to the price published at the end of the reporting period, i.e. the market price (level 1).

For instruments not quoted in active markets, fair value is determined by means of valuation techniques based on data directly or indirectly observable on the market (level 2).

On the other hand, financial instruments in fair value level 3 are measured using valuation techniques based on unobservable market inputs. Unobservable market inputs are used to estimate fair value where observable market inputs are not available. These inputs reflect the assumptions, including risk assumptions, that market participants would consider in pricing the asset or liability.

Derecognition

FVTPL financial assets are derecognised when the contractual rights to the cash flows from the assets expire or when the financial asset has been sold by transferring substantially all of the related risks and benefits.

Recognition of income components

The income components of the financial instruments in asset item 20 are recognised in profit or loss as follows:

- Interest and similar income and expenses are recognised in items 10 and 20 of the income statement;
- dividends relating to shares or units held are shown under item 70 "Dividends and similar income";
- realised gains and losses as well as the measurement result of financial assets classified under item 20 a) are recognised in profit or loss under item 80 "Profits (Losses) on trading"; realised gains and losses as well as the measurement result of financial assets classified in item 20 c) are recognised in profit or loss in item 110 b) "Profits (Losses) on other assets and liabilities measured at fair value through profit or loss, sub-item b) other financial assets mandatorily measured at fair value".

Item 30. Financial assets measured at fair value through other comprehensive income (FVTOCI)

Classification

This item includes all financial assets (debt securities, equity instruments and loans) classified in the portfolio measured at fair value through other comprehensive income (FVTOCI).

A financial asset is measured at fair value through other comprehensive income if:

- it is characterised by a "hold to collect and sell" business model, with the objective of both collecting contractual cash flows and selling financial assets;
- the contractual terms of the business result in cash flows that represent only payments of principal and interest calculated on the residual principal at precise intervals, i.e. the cash flow requirements are met (SPPI test).

There are two types of financial assets measured at fair value through other comprehensive income:

- with "recycling" in profit or loss (e.g. debt securities not held for trading);
- without "recycling" in profit or loss (e.g. equity instruments not held for trading, for which the equity option was exercised).

The classification as FVTOCI with recycling implies that changes in fair value are recognised in equity and pass to profit or loss only in case of sale; On the other hand, the classification without recycling implies that changes in fair value due to sale also pass to equity.

Initial recognition

FVTOCI financial assets are initially recognised at fair value, which is generally the cost of the transaction adjusted for any directly attributable costs and revenues.

These financial instruments are recognised in the financial statements when the bank becomes a contracting party; this is the settlement date for debt securities and equity instruments, the disbursement date for loans and the contract date for OTC derivatives.

Without prejudice to the exceptions envisaged by IFRS 9 for the reclassification and simultaneous redefinition of the business model, transfers from the FVTOCI portfolio to other portfolios and vice versa are not possible.

Measurement

After their initial recognition, financial assets measured at fair value through other comprehensive income are measured at their fair value, according to the criteria illustrated for assets held for trading under asset item 20. In the case of unquoted equity instruments for which there is no reliable fair value measurement, the purchase price is considered to be the best estimate of fair value and is used as such.

Financial instruments measured at fair value through other comprehensive income are subject to the three-step impairment model in accordance with IFRS 9, as described below for asset item 40.

Derecognition

FVTOCI financial assets are derecognised when the contractual rights to the cash flows from the assets expire or when the financial asset is sold by transferring substantially all of the related risks and benefits.

Recognition of income components

The income components of the assets recorded under asset item 30 are recognised as follows:

- interest and similar income and expenses are recognised in profit or loss under items 10 and 20. The effective interest rate method takes into account all taxes paid between the parties, transaction costs and any premium or discount paid;
- dividends are recorded under item 70 "Dividends and similar income";
- Net impairment losses for credit risk of FVTOCI financial assets are recognised in profit or loss under item 130 b) "Financial assets at fair value through other comprehensive income";
- realised gains and losses generated by the sale of FVTOCI financial assets with recycling are recognised in profit or loss under item 100 b) "Profits (Losses) on sale or repurchase of: financial assets at fair value through other comprehensive income";
- the net gains or losses from the purchase or sale of equity instruments without recycling are recognised in income-related reserves, i.e. in equity and not in profit or loss.

Item 40. Financial assets measured at amortised cost:

a) Loans and receivables with banks

b) Loans and receivables with customers

Classification

A financial asset is measured at amortised cost if:

- it is characterised by a "hold to collect" business model, the objective of which is to collect contractual cash flows;
- the contractual terms of the business result in contractual cash flows that represent only payments of principal and interest calculated on the residual principal (known as SPPI compliant flows).

In particular, the following instruments are recognised in this financial statement item:

- loans and receivables in various technical forms to banks that fulfil the conditions set out in the previous paragraph;
- loans and receivables in various technical forms to customers that fulfil the conditions set out in the previous paragraph;
- debt securities that fulfil the conditions set out in the previous paragraph.

Initial recognition

In this item, debt securities are initially recognised on the settlement date and loans and receivables from banks and customers on the date of their disbursement or purchase, or when the customer obtains the right to receive the contractually agreed amounts.

Loans and receivables are initially recognised at their fair value, which is normally the amount disbursed or the consideration paid for their purchase, plus/minus the revenues/costs directly attributable to the transaction.

However, this value does not include costs that are reimbursed directly by the bank and customers or that are considered as internal administrative costs.

Measurement

Measurements after initial recognition are made on the basis of the amortised cost principle using the effective interest rate method.

The amortised cost of a financial asset or financial liability is the amount at which a financial asset or financial liability is measured at initial recognition less principal repayments, plus or minus, on an effective interest rate basis, the cumulative amortisation of any difference between that initial amount and the amount at maturity and, for financial assets, adjusted for any impairment loss.

The effective interest rate method is the method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or expense over its amortisation period.

The effective interest rate is the rate that exactly discounts estimated future payments or receipts over the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or the amortised cost of a financial liability.

When calculating the effective interest rate, the entity must estimate the expected cash flows taking into account all contractual terms of the financial instrument (for example, advance payment, extension, a call option and similar options), but must not consider expected credit losses. The calculation includes all expenses or income paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Transaction costs (or fee and commission expense) are the marginal costs directly attributable to the acquisition, issue or disposal of a financial asset or liability. A marginal cost is a cost that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

An expense or income can be considered as a transaction cost and therefore be added to or deducted from the consideration paid (initial recognition value) only if:

- it is directly attributable to the transaction;
- it is known at the time of the transaction.

Transaction costs include fees and commissions paid to agents (including employees acting as commercial agents), consultants, brokers and dealers, contributions levied by regulatory bodies and stock exchanges, taxes and duties. Transaction costs do not include premiums or discounts, financing costs or internal administrative or management costs.

The amortised cost method is not applied to short-term loans that have been granted up to maturity or with no indication of a maturity date, in view of the fact that for such loans the effect of discounting is not normally significant.

With regard to the determination of impairment losses, please refer to the chapters on stage allocation and impairment of financial assets in the general part on accounting policies.

<u>Sales</u>

IFRS 9 requires that the exposures included in the portfolio of "Financial assets measured at amortised cost" be sold when certain materiality or frequency thresholds are reached, when they are nearing maturity, when there is an increase in credit risk or when exceptional circumstances arise. In this regard, it should be noted that the sales transactions of debt securities carried out by the bank in 2021 were in compliance with the materiality and frequency thresholds set out in the policy on the classification and measurement of financial instruments. During 2021 and up to the date of preparation of these financial statements, there was no change in the eligibility criteria for sales of financial assets managed under the "HTC" business model. Finally, it should be noted that the management of the debt securities classified in the "HTC" portfolio continues in line with the decisions taken in previous years.

<u>Derecognition</u>

These financial assets are derecognised when the risks and benefits related to their ownership are substantially transferred and no control is retained over them. This item is generally derecognised when the loan is repaid in full or the financial instrument is extinguished.

<u>Recognition of income components</u>

The income components of these financial assets are recognised as follows:

- interest and similar income and expenses are recognised in profit or loss under items 10 "Interest and similar income" and 20 "Interest and similar expense", interest calculated using the effective interest rate method is recognised under the sub-item "Interest income calculated with the effective interest method";
- gains/losses from net impairment losses for credit risk of financial assets are recognised in item 130 a) of the income statement "Net impairment losses of financial assets measured at amortised cost". If the reasons for the write-down of the financial assets no longer apply, the respective write-backs cannot exceed the amount of the previously recognised write-downs;
- the net gain or loss on the sale or repurchase of financial assets is recognised in item 100 a) of the income statement "Profits (Losses) on sale or repurchase of financial assets measured at amortised cost";

- the net gain or loss on amendments to contracts without derecognition of financial assets is recognised in item 140 of the income statement "Gains (losses) from amendments to contracts without derecognition".

Item 50. Hedging derivatives (Liability Item 40.)

Classification

This item includes derivative financial instruments used for hedging purposes that have a positive/negative fair value at the end of the reporting period. Cassa Centrale Raiffeisen dell'Alto Adige applies the transitional provisions of IFRS 9 in relation to hedge accounting, i.e. it applies the hedge accounting requirements of IAS 39 instead of the requirements of IFRS 9 chapter 6.

The hedging transactions aim at neutralising the potential losses on a particular financial instrument or group of financial instruments attributable to a certain risk (e.g. rise in interest rates) by means of gains on the hedging instruments should that particular risk actually occur. Hedging transactions are carried out exclusively by entering into financial derivative contracts with independent banking counterparties.

Hedging transactions refer to individual financial instruments. The transaction is classified as a hedge if the bank's risk management objectives and hedging strategy have been established and if there is a formal and documented designation of the relationship between the hedged instrument and the hedging derivative, and if that relationship is highly effective both at the time the hedge begins and throughout its life.

A hedge is considered to be highly effective if changes in the fair value of the hedged instrument are offset by changes in the fair value of the hedging derivatives and this in accordance with the company's original hedging strategy documented for the specific hedge transaction. More precisely, a hedge is considered to be effective when changes in the fair value of the hedging derivative neutralise changes in the fair value of the hedged item within a range of 80%-125%.

The effectiveness of the hedge is assessed at the beginning of the hedge and on an ongoing basis during the life of the hedge and, in particular, at each annual or interim reporting period, using:

- prospective tests that justify the application of hedge accounting and demonstrate the expected effectiveness of the hedge in future periods;
- retrospective tests that show the degree of effectiveness of the hedging achieved in the period to which it refers.

If the tests do not confirm the effectiveness of the hedge, the hedge accounting is discontinued as described above, and the hedging instrument is reclassified as a financial asset or liability held for trading.

Hedging transactions are also no longer classified as such if:

- the hedging transaction is cancelled;
- in case of expiry, sale or withdrawal from the hedging transaction;
- the hedged element is sold, expires or is reimbursed;
- the hedging transaction is interrupted.

Initial recognition

Hedging derivatives are initially recognised at fair value on the settlement date.

Measurement

Fair value hedging derivatives, after initial recognition, are measured at fair value through the recognition in profit or loss of changes in fair value, referring both to the hedged item (for the portion attributable to the hedged risk only) and to the hedging derivative. In this way, the change in the fair value of the hedged item is substantially offset by the opposite change in the fair value of the hedging derivative.

Recognition of income components

The net result of hedging transactions, i.e. the hedged instrument and the hedging derivative, is recognised in item 90 of the income statement "Net hedging income (expense)". Interest on hedging derivative contracts is recognised as interest income or interest expense in items 10 and 20 of the income statement, respectively.

Derecognition

Hedging transactions are derecognised if the bank has transferred all risks and benefits related to the financial asset.

Item 70. Equity Investments

Classification

This item includes the equity investments of Cassa Centrale Raiffeisen dell'Alto Adige in wholly- and jointly-controlled companies, as well as those subject to significant influence.

Initial recognition

Initial recognition is at purchase cost, which is considered to be the fair value, and occurs on the settlement date or the date of reclassification of the equity investment.

Measurement

After initial recognition, equity investments are recognised on the basis of the portion of equity. The carrying amount of the equity investment is tested for impairment by comparing its estimated realisable value with its carrying amount whenever there is an indication that the equity investment may be impaired.

Derecognition

Equity investments are derecognised when the assets in question are sold by transferring substantially all the relevant risks and benefits.

Recognition of income components

The net gains and losses on equity investments are recognised in item 220 of the income statement "Net gains (losses) on equity investments". This item also includes any impairment losses or reversals of impairment losses of equity investments.

The payment of dividends received during the year are deducted directly from this financial statement item.

Item 80. Property, equipment and investment property

Classification

This financial statement item recognises property, equipment and investment property used in the business under IAS 16 and property, plant and equipment held for investment purposes under IAS 40.

In particular, the item includes land, buildings, plant and equipment, furniture and fixtures, and other equipment. Assets used in the business have physical substance and are held to be used in the production or provision of goods and services or for administrative purposes. These assets are expected to be used for more than one financial year.

This item also includes rights of use on property, plant and equipment deriving from leases in accordance with IFRS 16.

Initial recognition

Initial recognition of property, equipment and investment property takes place when they are purchased at cost. The purchase cost includes all the expenses directly attributable to the entry into operation of the asset.

In accordance with IFRS 16, for leases, the right of use acquired is recognised at the inception of the lease, i.e. when the related financial obligation (lease payments or rent) is recognised.

Cassa Centrale Raiffeisen dell'Alto Adige used the option to revalue the property (company headquarters) on first-time adoption of the international accounting standards (deemed cost). The amount of the revaluation was determined on the basis of a prudent estimate of the property made by an external and independent expert. In this way, the property is recorded at market value.

Extraordinary maintenance costs, which involve an increase in future economic benefits, are recognised directly to property, equipment and investment property. All other maintenance costs incurred in subsequent years are recognised in profit or loss in the year in which they are incurred under item 160.b) "Other administrative expenses", if they refer to property, equipment and investment property used in the business.

Measurement

Subsequently, Cassa Centrale Raiffeisen dell'Alto Adige applies the cost model in accordance with paragraph 30 of IAS 16 to these assets. After initial recognition, i.e., the property, equipment and investment property is recorded at purchase cost, net of accumulated depreciations and impairment. For properties held for investment purposes in accordance with IAS 40, Cassa Centrale Raiffeisen dell'Alto Adige uses the option in accordance with paragraph 56 of IAS 40, i.e. it measures all of its properties held for investment purposes using the cost method in accordance with IAS 16. However, this does not apply to properties held for sale in accordance with IFRS 5 (Non-current assets held for sale and discontinued operations) and recognised under item 110 of assets.

This item includes, among other things, the buildings and land of Cassa Centrale Raiffeisen dell'Alto Adige. Property, equipment and investment property in accordance with IAS 16 and IAS 40 are depreciated on a straight-line basis, and the expected useful life of the asset within the enterprise is considered to be its useful life. Land is not depreciated as it has an indefinite useful life.

With regard to rights of use recognised in accordance with IFRS 16, the same principles in force for property, equipment and investment property are used to determine impairment.

Impairment

With regard to impairment, Cassa Centrale Raiffeisen dell'Alto Adige operates in accordance with IAS 36. More precisely, property, equipment and investment property are periodically assessed by Cassa Centrale Raiffeisen dell'Alto Adige by comparing the recoverable amount with the carrying amount of the cash-generating unit. The recoverable amount is considered to be the higher of the fair value less costs to sell and the value in use of the cash-generating unit.

If the recoverable amount of the cash-generating unit is less than its carrying amount, the corresponding difference is immediately recognised in profit or loss as an impairment loss.

With regard to rights of use recognised in accordance with IFRS 16, the same principles in force for property, equipment and investment property are used to determine impairment.

Derecognition

Property, equipment and investment property are derecognised from the financial statements only if Cassa Centrale Raiffeisen dell'Alto Adige has lost all the relevant risks and benefits, i.e. if no economic benefits are expected from the asset, if the asset is no longer at the disposal of Cassa Centrale Raiffeisen dell'Alto Adige or if the right to use the asset has expired.

Recognition of income components

The income components of these financial assets are recognised as follows:

- depreciation due to use and any impairment losses are recognised in item 180 of the income statement "Depreciation and net impairment losses on property, equipment and investment property";
- net gains and losses on sale are recognised in profit or loss under item 250 "Net gains (losses) on sales of investments";
- gains and losses from the fair value measurement of property, equipment and investment property are recognised in item 230 of the income statement "Net result of property, plant and equipment and intangible assets at fair value".

The calculation of depreciation due to use is based on the estimated useful life of each property, equipment and investment property, which are grouped by homogeneous classes for this purpose. Depreciation is on a straight-line basis. Cassa Centrale Raiffeisen dell'Alto Adige applied the provisions of Art. 110 of Italian Decree Law no. 104/2020 on the realignment of the tax values with the carrying amounts of property, equipment and investment property. Until now, it has not been possible from a tax point of view to take into account this revaluation made in 2006 following the introduction of IAS/IFRS. IRES and IRAP deferred tax liabilities were recognised. Following the use of Art. 110 of Italian Decree Law no. 104/2020, a 3% substitute tax was paid by 30 June 2021 to bring the tax value of the property in line with the carrying amount. This option was already exercised in the 2021 tax return for 2020. Therefore, the annual tax depreciation can be made in the same amount as the statutory depreciation.

Land and works of art are not depreciated as they have an indefinite useful life.

Investment property

This investment property is held by Cassa Centrale Raiffeisen dell'Alto Adige to increase rental income and/or invested capital. The criteria for initial recognition, measurement and derecognition of this investment property are the same as for investment property used in the business.

Depreciation due to use and any impairment losses are recognised in item 180 of the income statement "Depreciation and net impairment losses on property, equipment and investment property" in proportion to the estimated useful life of the asset in question.

Investment property is impaired when there is evidence of impairment loss and the carrying amount does not fully cover the potential net realisable value. In this case, the required impairment loss is recognised in profit or loss under item 180 "Depreciation and net impairment losses on property, equipment and investment property".

If the value of a previously impaired asset is reinstated because the reasons for its impairment no longer exist, the new carrying amount, net of depreciations, cannot exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

Item 90. Intangible assets

Classification

Intangible assets are assets that the bank uses for several years or indefinitely and from which it expects to derive future economic benefits. Intangible assets consist mainly of expenses for the purchase of software. Intangible assets capitalised in previous periods have been retained and are being amortised.

This item also includes rights of use on intangible assets deriving from leases in accordance with IFRS 16.

Initial recognition

Intangible assets are recognised at purchase cost, which includes the purchase price and all directly attributable additional expenses, only if it is probable that the future economic benefits attributable to the asset will materialise and if the cost of the asset can be measured reliably. Various factors are considered when estimating the useful life, such as the expected period of use, technical, commercial or other kind of deterioration, the dependence of the useful life of the asset on the useful life of other assets, etc.

If a future value in use cannot be determined, the costs of intangible assets are recognised directly in profit or loss in the year in which they are incurred. Any subsequent expenses are capitalised only if they increase the value and/or the expected economic benefits of the intangible asset.

Measurement

After initial recognition, intangible assets are recorded at purchase cost, net of accumulated amortisation and impairment. The amortisation of intangible assets with a definite useful life is calculated according to their useful life.

At the end of each reporting period or interim reporting period, intangible assets are tested for impairment (impairment test). If there is objective evidence that an individual asset may be impaired, it is written down by recognising the amount in item 230 of the income statement "Net result of property, equipment and investment property and intangible assets at fair value". In determining the impairment, the carrying amount of the asset is compared with its net realisable value by deducting any costs to sell directly attributable to the property, equipment and investment property and its value in use, which is understood to be the present value of the future cash flows expected to arise from the asset as a result of its continued use. If the value of a previously impaired asset is reinstated because the reasons for its impairment no longer exist, the new carrying amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognised for the intangible asset in prior periods.

Derecognition

An intangible asset is derecognised when it is sold or when no economic benefits are expected to arise from its use or sale.

Recognition of income components

Depreciation due to use and any impairment losses are recognised in item 190 of the income statement "Amortisation and net impairment losses on intangible assets".

The gains and losses on sale of intangible assets are recognised in profit or loss under item 250 "Net gains (losses) on sales of investments".

For intangible assets that are not amortised, any impairment losses are recognised in item 240 of the income statement "Goodwill impairment losses".

Item 100. Tax assets

- **current**
- **deferred tax assets**

Item 60 Tax liabilities

- **current**
- **deferred tax liabilities**

Tax receivables and payables are shown in the statement of financial position under item 100 "Tax assets" and item 60 "Tax liabilities", respectively. Tax assets and liabilities include current taxes, deferred tax assets and deferred tax liabilities for the year in question. Income taxes are calculated in accordance with national tax regulations and applying the tax rates in force. The amount of tax assets/liabilities also includes the reasonably estimated risk arising from outstanding tax disputes. If there are taxable temporary differences, the relevant tax assets or liabilities are recognised. No deferred taxes are provided for in relation to valuation reserves subject to tax deferral as it is currently considered that the conditions for future taxation have not been met. Deferred tax assets are recognised using the balance sheet liability method and on the assumption that there is reasonable certainty of their recovery in future years. Tax assets and liabilities are normally recognised in profit or loss, unless they arise from transactions whose effects are recognised directly in equity. In the latter case, tax assets and liabilities are recognised directly in equity.

Item 120. Other assets (Item 80. of Liabilities Other liabilities)

All assets and liabilities that cannot be classified under other statement of financial position items are recognised under these items. They are measured at their actual value on the date of preparation of the financial statements. Examples include assets such as gold, precious metals, receivables from services, accruals deferrals, receivables from suppliers, receivables from withholding taxes and amounts to be processed, provided they are of low value. Amounts under this item are normally recognised at their nominal value, provided the measurement shows that the latter is realisable.

With Italian Decree Laws no. 18/2020 and no. 34/2020, tax incentives for private and enterprises for investments and other expenses were introduced into Italian law. Private and enterprises have the option of using these benefits in the form of tax credits or selling the tax credits to third parties, including banks. Cassa Centrale Raiffeisen dell'Alto Adige took advantage of these opportunities and offered its customers the purchase of such tax credits.

Since these tax credits are not attributable to any accounting principle, they are recognised in this financial statement item at amortised cost in accordance with a recommendation of the supervisory authorities Bank of Italy, Consob and IVASS. Cassa Centrale Raiffeisen dell'Alto Adige intends to keep the acquired tax credits until they expire. This applies provided it can offset tax credits against its tax liabilities.

<u>**Liabilities**</u>

Item 10. Financial liabilities measured at amortised cost:

a) Due to banks

b) Due to customers

c) Securities issued

Classification

Financial Statement items 10 a) and 10 b) include financial liabilities to banks and customers in any technical form measured at amortised cost (deposits, current accounts, loans). Item 10 c) includes securities issued measured at amortised cost.

This item also includes funds made available by the State or other public bodies for specific statutory purposes (e.g. third-party funds under management), provided that interest income and expenses have been agreed for the lending institution.

This also includes funds made available by public institutions with which Cassa Centrale Raiffeisen dell'Alto Adige takes a risk. Finally, this item includes securities issued measured at amortised cost (e.g. savings bonds) and, in particular, securities expired not yet repaid.

Initial recognition

The financial liabilities are recognised in the financial statements when Cassa Centrale Raiffeisen dell'Alto Adige becomes a party to the financial instrument. Initial recognition takes place at the value that normally corresponds to the consideration received from the bank. The initial recognition value also includes any transaction costs and revenues if they are directly attributable to the liability.

Measurement

After initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method as described in asset item 40. Short-term liabilities continue to be recognised at the value of the consideration received.

Derecognition

Financial liabilities are derecognised when they are extinguished, i.e. when the liability is settled by payment to the creditor or when Cassa Centrale Raiffeisen dell'Alto Adige is legally released from its original obligation under the liability, either by law or by the creditor.

Liabilities issued and subsequently repurchased by the bank are derecognised.

Recognition of income components

Interest expense is recognised in item 20. of the income statement "Interest and similar expense". The gains and losses on sale or purchase of financial liabilities, as well as on repurchase of securities issued by the bank, are recognised in profit or loss under item 100 c) "Profits (Losses) on sale or repurchase of financial liabilities".

Item 20. Financial liabilities held for trading

Classification

This financial statement item includes financial liabilities held for trading, regardless of their technical form. This also includes financial derivatives other than hedging derivatives with a negative fair value.

Initial recognition

Financial liabilities held for trading are recognised in the financial statements on the settlement date. Initial recognition is at the value of the consideration received, which is equivalent to their fair value.

Measurement

After initial recognition, financial liabilities held for trading are measured at fair value in accordance with IFRS 9.

Derecognition

Financial liabilities are derecognised when they are extinguished.

Recognition of income components

Income components are recognised as follows:

- interest and similar expense are recognised in item 20. of the income statement "Interest and similar expense";
- any valuation, sale or purchase gains or losses are recognised in item 80 of the income statement "Profits (Losses) on trading".

Item 90. Post-employment benefits

The post-employment benefit fund is to be understood as a payable to personnel relating to a defined benefit that will be paid to them at the end of their employment. Its recognition in the financial statements required estimating the amount of benefits accrued by employees and discounting them using actuarial techniques. These benefits were calculated by an external and independent actuary using the projected unit credit method, which considers each period of service as giving rise to an additional unit of post-employment benefits to be used in calculating the final obligation. Total future cash outflows are calculated on the basis of demographic assumptions regarding the evolution of existing employees and economic and financial assumptions and discounting these flows at a market interest rate. Pursuant to Italian Law no. 335/95, employees hired on or after 28 April 1993 can allocate part of their post-employment benefits to a supplementary pension fund in accordance with current company agreements. For first-time employees hired after 28 April 1993, all post-employment benefits are paid into a supplementary pension fund, such as the Raiffeisen Fondo Pensione Aperto (Raiffeisen Open Pension Fund), in accordance with the applicable company agreements. The introduction of Italian Legislative Decree no. 124/93 envisaged the possibility of allocating accrued portions of post-employment benefits to the financing of supplementary pensions. In this regard, the 2007 Finance Act (Italian Law no. 296 of 27 December 2006), which brought forward to 1 January 2007 the effective date of the new regulations on the Supplementary Pension introduced by Italian Legislative Decree no. 252 of 5 December 2005, gave the possibility of vesting accrued Post-employment benefits into the supplementary pension. This new provision concerned companies with at least 50 employees. The latter were then able to express their decision on the matter, explicitly or tacitly, by 30 June 2007. These new provisions were taken into account in the measurement of the post-employment benefit fund.

In accordance with IAS, only the liabilities from post-employment benefits remaining with the company were estimated, since the accrued portion of post-employment benefits was paid to a separate entity (supplementary pension scheme or INPS funds). As a result of these payments, the company will no longer have any obligations relating to the employee's future employment. The cost of post-employment benefits accrued during the year is recognised in profit or loss under item 160 a) "Personnel expenses" and includes the present value of the benefits accrued by employees in service (current service cost) during the year and the interest accrued on the obligation (interest cost) during the year. Actuarial gains and losses, defined as the difference between the carrying amount of the liability and the present value of the obligation at the end of the period, are recognised in a specific equity reserve.

Item 100. Provisions for risks and charges

a) Commitments and guarantees given

b) Pension and similar obligations

c) Other provisions for risks and charges

This item includes provisions for risks and charges in accordance with IAS 37 (Provisions, contingent liabilities and contingent assets) and expected credit losses in accordance with IFRS 9, paragraph 5.5.

a) Commitments and guarantees given

This item includes provisions for risks and charges in accordance with IAS 37 (Provisions, contingent liabilities and contingent assets) and expected credit losses in accordance with IFRS 9, paragraph 5.5. In particular, this accounting standard provides that for commitments to provide loans and financial guarantee contracts, the date on which the entity becomes a party to the firm commitment is considered to be the date of initial recognition for the purposes of applying the impairment provisions. This means that, for such commitments to provide loans and financial guarantee contracts, impairment adjustments must be recognised for expected credit losses by determining the impairment according to the impairment model described in paragraph 5.5 of IFRS 9.

With regard to expected credit losses, please refer to the calculation of impairment losses under asset item 40.

At the end of the reporting period, impairment was determined using an internal rating procedure.

The provisions required under IAS 37 must be recognised only if the bank has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources representing economic benefits will be required to settle the obligation and, finally, if a reliable estimate can be made of the amount of the obligation.

b) Pension and similar obligations

Item 100 b) includes expenses arising from commitments for supplementary pension funds with guaranteed benefits and defined contribution funds classified as "internal funds" under current social security regulations.

c) Other provisions for risks and charges

Item 100 c) includes amounts for risks and charges not included in the previous items.

Other provisions for risks and charges represent liabilities to be recognised only when:

- the bank has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources representing economic benefits will be required to settle the obligation;
- it is possible to make a reliable estimate of the amount of the obligation.

If these conditions are not met, no liability for risks and charges is recognised. The amounts set aside are determined so that they represent the best possible estimate of the expense required to fulfil the obligations. In determining this estimate, consideration is given to the risks and uncertainties that characterise the facts and circumstances under consideration. At the end of each reporting period or interim reporting period, the provisions set aside are reviewed and, if necessary, adjusted to reflect the best current estimate. When, following a review, it is found that the expense is unlikely to be incurred, the provision is reversed. A provision is used only against the expenses for which it was initially recognised. Provisions also include liabilities to personnel related to loyalty bonuses.

Item 110. Valuation reserves

This item includes valuation differences arising from the first-time adoption of IFRS and from subsequent valuations of FVTOCI financial assets, property, equipment and investment property and intangible assets. This item also includes gains and losses arising from the calculation of the present value of post-employment benefits, defined as the difference between the statutory carrying amount of liabilities and the present value of those liabilities at the end of the reporting period. Revaluation reserves recognised in pursuance of special revaluation laws are also included.

Item 140. Reserves

This item includes income-related reserves as well as reserves arising from the first-time adoption of international accounting standards.

Other information

Foreign currency transactions

Initial recognition

Foreign currency transactions are recognised at the exchange rate prevailing on the date of the transaction.

Measurement

Subsequent to initial recognition, foreign currency assets and liabilities are recognised at the respective exchange rate at the end of the reporting period.

Recognition of income components

Exchange rate differences arising from the settlement of transactions at rates different from those of initial recognition and unrealised exchange rate differences on foreign currency assets and liabilities are recognised in item 80 of the income statement "Profits (Losses) on trading".

Repurchase agreements

Securities received in a transaction where there is a contractual obligation to resell them and securities delivered in a transaction where there is a contractual obligation to repurchase them are not recognised or derecognised in the financial statements. Accordingly, in the case of a security purchased under a resale agreement (reverse repurchase agreement), the amount paid is recognised as loans and receivables from customers or with banks, or as a financial asset held for trading. In the case of a security sold under a repurchase agreement (reverse repurchase agreement), the liability is recognised in due to banks or customers, or under trading liabilities. Income from receivables/payables, consisting of coupons accrued on securities and the difference between the spot and forward prices of those securities, is recognised on an accrual basis in the income statement items relating to interest income or expense.

A.3 DISCLOSURE ON THE RECLASSIFICATION OF FINANCIAL INSTRUMENTS

No financial instruments were reclassified during 2021.

A.4 FAIR VALUE INFORMATION

In December 2012, the European Commission approved, by means of Regulation (EU) no. 1255/2012, the new IFRS 13 standard "Fair Value Measurement", effective as from 1 January 2013.

This standard brings together in a single document all the information required about fair value measurement methods that was previously contained in several international accounting standards (mainly IAS 39 and IFRS 7).

The provisions of IFRS 9 continue to apply to the types of financial instruments to which fair value measurement applies, i.e. fair value applies to all financial instruments except financial assets measured at amortised cost for which the fair value option is not applied.

Moreover, it should be recalled that international accounting standards and the Bank of Italy itself require, in any case, the disclosure of the fair value of a whole range of assets and liabilities measured at amortised cost (loans and receivables with customers and due to banks, securities issued).

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, whether that price is directly observable or estimated using another valuation technique.

The definition of fair value is based on the fundamental assumption that the entity is fully operational and there is no intention or need to liquidate, significantly reduce the business or enter into transactions on unfavourable terms. The fair value also reflects the credit quality of the financial instrument as it incorporates counterparty risk.

IFRS 13 provides for a classification of fair value measurements of financial instruments based on a specific hierarchy that is determined by the inputs used in the fair value measurement process.

Financial instruments are therefore divided into three levels of fair value:

- Stage 1: when quoted prices in an active market are available for the financial assets and liabilities being measured;

- Stage 2: if no active market exists, fair value is determined using valuation techniques that include only inputs that are directly or indirectly observable in the market;

- Stage 3: when prices are calculated using valuation techniques with significant inputs based on parameters that are not observable in the market.

In cases where fair value cannot be reasonably estimated and/or the costs of calculating fair value are excessive, financial instruments are recorded at original purchase cost.

The choice between the above categories is not discretionary and the valuation techniques adopted maximise the use of observable market factors, relying as little as possible on subjective parameters.

The valuation method defined for a financial instrument is maintained over time and is only changed if there is a material change in market conditions or a subjective change in the issuer of the financial instrument.

They are generally considered to be quotes in an active market (stage 1):

- listed shares;
- government securities listed on regulated markets; bonds listed on regulated markets;
- listed funds;
- derivative contracts for which quotes are available on a regulated market.

The purchase price (bid price) is used for financial assets quoted in active markets and the selling price (ask price) on the valuation date is used for financial liabilities.

Qualitative information

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

A financial instrument is classified in stage 2 or 3 in the absence of quoted prices in active markets.

On the other hand, classification in stage 2 rather than stage 3 depends on the observability in the markets of the inputs used for fair value measurement.

Units of mutual investment funds are listed at the NAV (net asset value) reported by the asset management company adjusted where appropriate with a discount to account for liquidity risk.

Where both observable market inputs (stage 2) and unobservable market inputs (stage 3) are used in the measurement of a financial instrument, the instrument is categorised in stage 3 of the fair value hierarchy if the unobservable inputs are significant in determining fair value.

The valuation method defined for a financial instrument is maintained over time, unless alternative techniques are available that provide a more representative fair value measurement. The fair value used for the measurement of financial instruments is determined on the basis of the criteria set out below:

Stage 2: Valuation methods based on observable market parameters

For stage 2 instruments, an input data is considered to be observable, directly or indirectly, when it is continuously available to all market participants, thanks to its regular publication through specific information channels (stock exchanges, information providers, brokers, market makers, websites, etc.). The measurement of the financial instrument is based on prices derived from market prices of similar assets (comparable approach) or using valuation techniques in which all significant factors - including interest rates, interest rate curves and credit spreads - are derived from observable market parameters (mark-to-model approach).

Stage 2 inputs include:

- prices quoted in active markets;
- prices quoted for the analysed instrument or for similar instruments on markets that are not active, i.e. markets where there are few transactions, prices are not current or vary substantially over time;
- observable market inputs (e.g. interest rates, interest rate curves, volatility indexes, credit spreads);
- input corroborated by market data.

With regard to the portfolio of financial instruments at the end of the reporting period, investment fund units, over-the-counter (OTC) financial derivatives, bonds with no official prices from an active market, and financial instruments on the liabilities side measured at fair value are included in stage 2.

<u>OTC (over the counter) financial derivatives</u>

Interest rate, exchange rate, equity, inflation and commodity derivatives that are not traded on regulated markets are considered over-the-counter (OTC) instruments if they are traded bilaterally between two market counterparties. They are measured using special pricing models, fed by market observable inputs, such as rate curves, volatility matrices and exchange rates.

The method used in evaluating these contracts is as follows:

- interest rate derivatives (IRS): discounted cash flow model;
- options: black&scholes model, cox-rubinstein binomial model;
- cap/floor: black lognormal shifted model;
- foreign currency derivatives: internal model for determining forward points.

Moreover, counterparty risk and own credit risk are taken into account when determining the fair value of derivatives. This involves the application of a "credit value adjustment" to financial derivative assets and a "debit value adjustment" to financial derivative liabilities. For the calculation of credit risk, Cassa Centrale Raiffeisen dell'Alto Adige uses a valuation model based on the probability of default and the recovery rate.

Bonds recorded on the asset side of the statement of financial position not quoted in an active market

With regard to purchased debt securities that are not quoted in an active market, Cassa Centrale Raiffeisen dell'Alto Adige checks:

- whether there is an inactive market for the financial instrument. In this case, the measurement of the financial instrument is based on prices available in an inactive market as long as they are considered representative of fair value;
- the presence of an active market for an instrument with similar characteristics. In this case, the measurement of the financial instrument is based on prices derived from market prices of similar assets (known as comparable approach). The comparative approach involves seeking transactions in active markets for instruments that are comparable to the instrument being measured.

If it is not possible to apply the methods described above, Cassa Centrale Raiffeisen dell'Alto Adige adopts valuation models that maximise the use of observable market inputs as much as possible. In particular, the "discounted cash flow model" is applied to stage 2 securities, i.e. the estimated future cash flows are discounted at a rate that takes into account all risk factors to which the instrument is exposed (counterparty risk, issuer risk). The assumption of this valuation model is to use only market observable inputs. The issuer's credit risk is incorporated in the measurement of securities and is obtained from credit spread curves relating to the issuer itself, if any, or based on curves representative of the issuer's economic sector.

Own bonds

The bonds issued by Cassa Centrale Raiffeisen dell'Alto Adige are not listed on a regulated market. The secondary market price is determined using the discounted cash flow method described above. Under this method, the fair value of bonds issued by the bank is determined by discounting estimated future cash flows at an observable market rate, increased by a spread calculated on the basis of the bank's most recent own issues in order to ensure a valuation that reflects as closely as possible the transaction price in the non-institutional market.

The determination of the fair value of bonds issued, whether for the purpose of calculating the carrying amount (in the case of bond issues measured under the fair value option) or for disclosure in the notes to the financial statements (in the case of bond issues measured at amortised cost), is based on the same pricing methodology as that used to determine the trading price of bond issues in the secondary market.

Stage 3: Valuation methods based on unobservable market parameters

All financial instruments that are not quoted in an active market and for which the determination of the relative fair value is based on valuation models using parameters that are not directly observable in the market are classified in stage 3. Unobservable market inputs are used to estimate fair value where observable market inputs are not available. Therefore, these inputs reflect the assumptions, including risk assumptions, that market participants would consider in pricing the asset or liability. Measurement is based on the best available information, including internal data.

Unlisted equity instruments are also classified in stage 3. These are non-controlling interests in unlisted financial and non-financial companies. For these securities, fair value cannot be reasonably estimated or the cost of determining fair value is considered excessive. Accordingly, they are recognised at original purchase cost.

Loans and receivables with banks and with customers

For financial instruments recognised in the financial statements at purchase cost or amortised cost, and substantially classified as loans and receivables with banks and with customers, a fair value is determined for disclosure purposes in the notes to the financial statements.

Specifically:

- for medium- to long-term non-performing loans (bad loans, unlikely to pay and past due/overdue), fair value is determined by discounting the contractual cash flows or those quantified on the basis of repayment plans, net of estimated loss and recovery costs, using contractual rates;
- for medium- to long-term performing loans, the discounted cash flow method is applied to determine fair value by discounting future cash flows using a current market rate and adjusting the values for credit risk, which is based on the probability of default and the recovery rate;
- for assets and liabilities at sight or with a maturity of less than one year, the carrying amount, net of impairment, at which they are recognised is considered to be a good approximation of fair value.

As these financial assets are generally not traded in the market, fair value is determined using internal parameters that are not directly observable in the market and therefore these instruments are classified in fair value level 3.

Due to banks and customers and securities issued

For liability instruments recorded under the items due to banks and due to customers, the fair value of which is determined solely for disclosure purposes, a distinction is made between at-sight and medium-to long-term payables.

Specifically:

- for payables at sight, maturing in the short term (less than 12 months) or revocable, the carrying amount is considered to be representative of fair value;
- for medium/long-term payables, fair value is determined using valuation techniques such as discounted cash flow, i.e., discounting future cash flows at a market rate that reflects all risk factors to which the instrument is exposed.

As these financial liabilities are generally not traded in the market, the fair value is determined using internal parameters that are not directly observable in the market and therefore these instruments are classified in fair value level 3.

A.4.2 Processes and sensitivity of measurement

All financial assets and liabilities are measured with the support of the internal functions and specific committees of Cassa Centrale Raiffeisen dell'Alto Adige. Cassa Centrale Raiffeisen dell'Alto Adige has policies (pricing policies) and operating procedures that describe the valuation techniques and inputs used. The documents identify:

- the roles and responsibilities of the company officers and functions involved;
- rules for classification within fair value levels, as required by IAS/IFRS;
- techniques and methods for measuring financial instruments;
- information flows.

As at 31 December 2021, Cassa Centrale Raiffeisen dell'Alto Adige hold financial instruments classified as stage 3, which are measured using techniques based on significant inputs that are not observable on the market.

The sensitivity analysis required by IFRS 13 was not applicable to the following instruments:

- equity instruments for which no inputs (observable or unobservable) were available to estimate fair value and/or for which the cost to determine fair value was deemed excessive were recorded at purchase cost;
- OEIC units were assigned a fair value corresponding to the last net asset value provided by the management company.

A.4.3 Fair value level

The transition of a financial instrument from fair value stage 1 to stage 2 or vice versa derives mainly from the degree of liquidity of the instrument itself at the time of its listing, which determines the use of a price recorded in an active market (stage 1) rather than a price derived from a pricing model (stage 2). If there is objective evidence that the price for a financial asset or financial liability is not significant or not available (e.g. lack of prices from multiple market participants, few or inconsistent prices), the instrument is included in stage 2 of the fair value hierarchy. This classification could be revised if active market prices were again available for the same financial instrument.

This trend is mainly adopted for debt securities, equity instruments and OEIC units. Derivative instruments listed on regulated markets are normally included in stage 1, since a price expressed by the reference exchanges is normally available for them.

OTC derivative instruments are usually measured using pricing models and are therefore classified as fair value stages 2 or 3, depending on whether observable or unobservable inputs are used. The transition from stage 2 to stage 3 or vice versa depends on the weight or importance given to the observable or unobservable input variables.

A.3 Information on transfers between portfolios of financial assets

A.3.1 Reclassified financial assets: change in the business model, carrying amount and interest income

Type of financial instrument	Source portfolio	Target portfolio	Reclassification date	Reclassified carrying amount	Interest income recorded in the year (pre-tax)
Debt securities	Fair Value to other comprehensive income	Held to collect	01/01/2019	394,312	-

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

Type of financial instrument	Source portfolio	Target portfolio	Fair value as at 31/12/2021	Capital gains/losses in the absence of transfer to the income statement (pre-tax)		Capital gains/losses in the absence of transfer to equity (pre-tax)	
				31/12/2021	31/12/2020	31/12/2021	31/12/2020
Debt securities	Fair Value to other comprehensive income	Held to collect	399,656	-	-	4,119	5,752

As already stated in the annual report as at 31 December 2018, following the non-establishment of the Raiffeisen Group decreed by the implementing regulations of the reform of cooperative credit banks, the Board of Directors decided to reclassify the Bank's financial instruments from the HTCS portfolio to the HTC portfolio for a nominal amount of € 390 million effective from 1 January 2019. The fair value of the reclassified debt securities developed positively since their reclassification.

Qualitative information

A.4.1 Levels of fair value 2 and 3: valuation techniques and inputs used

A.4.2 Processes and sensitivity of measurements

A.4.3 Fair value level

A.4.4 Other information

A.4.5 Fair value level

Quantitative information

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

Financial assets/liabilities at fair value	31/12/2021			31/12/2020		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
1. Financial assets measured at fair value through profit or loss	3,562	143,350	10,124	5,451	126,614	5,876
a) financial assets held for trading	3,562	21,096	-	5,451	18,472	.
b) financial assets designated at fair value	-	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	-	122,254	10,148	-	108,142	5,876
2. Financial assets measured at fair value through other comprehensive income	416,304	-	56,467	421,266	-	37,586
3. Hedging derivatives	-	-	-	-	-	-
4. Property, equipment and investment property	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	419,866	143,350	66,591	426,718	126,614	43,462
1. Financial liabilities held for trading	-	1,069	59	-	1,227	217
2. Financial liabilities at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	1,184	-	-	2,208	-
Total	**-**	**2,253**	**59**	**-**	**3,435**	**217**

A.4.5.2 Annual changes of assets at fair value on a recurring basis (Level 3):

	Financial assets measured at fair value through profit or loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Property, equipment and investment property	Intangible assets
	Total	Of which: a) financial assets held for trading	Of which: b) financial assets designated at fair value	Of which: c) other financial assets mandatorily measured at fair value				
1. Opening balance	**5,906**	**-**	**-**	**5,906**	**37,586**	-	-	-
2. Increases	4,499	-	-	4,499	19,316	-	-	-
2.1 Purchases	4,415	-	-	4,415	13,924	-	-	-
2.2 Gains recognised in:	-	-	-	-	-	-	-	-
2.2.1 profit or loss	85	-	-	85	5,381	-	-	-
-of which: Capital gains	-	-	-	-	5,381	-	-	-
2.2.2 Equity	-	-	-	-	10	-	-	-

2.3 Transfers from other levels	-	-	-	-	-	-	-	-
2.4 Other increases	-	-	-	-	-	-	-	-
3. Decreases	**257**	**-**	**-**	**257**	**435**	**-**	**-**	**-**
3.1 Sales	146	-	-	146	435	-	-	-
3.2 Redemptions	-	-	-	-	-	-	-	-
3.3 Losses recognised in:	-	-	-	-	-	-	-	-
3.3.1 profit or loss	112	-	-	112	-	-	-	-
- of which Capital losses	112	-	-	112	-	-	-	-
3.3.2 Equity	-	-	-	-	-	-	-	-
3.4 Transfers to other levels	-	-	-	-	-	-	-	-
3.5 Other decreases	-	-	-	-	-	-	-	-
4. Closing balance	**10,148**	**-**	**-**	**10,148**	**56,467**	**-**	**-**	**-**

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

Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	31/12/2021				31/12/2020			
	CA	Level 1	Level 2	Level 3	CA	Level 1	Level 2	Level 3
1. Financial assets measured at amortised cost	5,276,507	934,281	1,321,204	3,151,825	5,183,378	893,458	1,249,881	3,187,167
2. Investment property	-	-	-	-	-	-	-	-
3. Non-current assets held for sale and disposal groups	-	-	-	-	-	-	-	-
Total	**5,276,507**	**934,281**	**1,321,204**	**3,151,825**	**5,183,378**	**893,458**	**1,249,881**	**3,187,167**
1. Financial liabilities measured at amortised cost	6,443,722	-	870,882	5,582,557	5,401,945	300,476	484,082	4,630,820
2. Liabilities included in disposal groups classified as held for sale	-	-	-	-	-	-	-	-
Total	**6,443,722**	**-**	**870,882**	**5,582,557**	**5,401,945**	**300,476**	**484,082**	**4,630,820**

Part B - Information on the statement of financial position (balance sheet)

Assets

Section 1 - Cash and cash equivalents - Item 10

1.1 Cash and cash equivalents: breakdown

	31/12/2021	31/12/2020
a) Cash	9,008	7,494
b) Deposit accounts with central banks	946,635	509,445
c) Deposit accounts with banks	19,204	20,129
Total	**974,847**	**537,068**

Cassa Centrale Raiffeisen dell'Alto Adige is responsible for maintaining the right level of liquidity within the Raiffeisen organisation and supplying Raiffeisen member banks with banknotes and coins.

The figures for the previous year 2020 were reclassified in accordance with the new provisions of Bank of Italy Circular no. 262, which require current accounts and sight deposits with banks and central banks to be recognised under this item.

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

2.1 Financial assets held for trading: breakdown by type

Item/Amounts	31/12/2021			31/12/2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A On-statement of financial position assets						
1. Debt securities	-	-	-	-	-	-
1.1 Structured instruments	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equity instruments	3,562	-	-	5,451	-	-
3. OEIC units	-	19,659			18,472	
4. Loans	-					
4.1 Reverse repurchase agreements						
4.2 Other						
Total A	**3,562**	**19,659**		**5,451**	**18,472**	
B Derivative instruments						
1. Financial derivatives	-	1,274	**138**	-	1,305	226
1.1 trading	-	1,274	**138**	-	1,305	226
1.2 associated with fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 trading	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total B		**1,274**	**138**		**1,305**	**226**
Total (A+B)	**3,562**	**20,934**	**138**	**5,451**	**19,777**	**226**

The Bank holds a small position in shares and investment funds for trading purposes.

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

Item/Amounts	**31/12/2021**	**31/12/2020**
A. On-statement of financial position 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. Equity instruments	3,562	5,451
a) Banks	287	480
b) Other financial companies	394	513
of which: insurance companies	102	368
c) Non-financial companies	2,881	4,459
d) Other issuers	-	-
3. OEIC units	**19,659**	**18,472**
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	**23,222**	**23,924**
B. Derivative instruments	**1,412**	**1,531**
a) Central counterparties	-	-
b) Other	1,412	1,531
Total B	**1,412**	**1,531**
Total (A+B)	**24,634**	**25,455**

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

Item/Amounts	31/12/2021			31/12/2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	**-**	**-**	**479**	**-**	**-**	**651**
1.1 Structured instruments	-	-	-	-	-	-
1.2 Other debt securities	-	-	479	-	-	651
2. Equity instruments	**-**	**-**	**194**	**-**	**-**	**188**
3. OEIC units	-	122,254	9,451	-	108,142	5,038
4. Loans	**-**	**-**	**24**	**-**	**-**	**30**
4.1 Structured	-	-	-	-	-	-
4.2 Other	-	-	24	-	-	30
Total	**-**	**122,254**	**10,148**	**-**	**108,142**	**5,906**

Other financial assets mandatorily measured at fair value consist of shares of investment funds units and other debt securities.

The shares of investment funds are managed by Union Invest.

The geographical distribution of the fund at the end of the reporting period is as follows:

- Eurozone countries 42.80%
- North America 29.80%
- Other European countries outside the Eurozone 13.67%
- Asia 4.32%
- Other (liquidity, raw materials and other countries) 9.41%.

The total investment in this fund as at 31 December 2021 was as follows:

- Shares: 56.71%, Debt securities: 37.97%, Liquidity: 5.32%.

Finally, as regards the exchange rate risk, the fund is invested 73% in Eurozone currencies and 27% in US dollars.

The Bank holds 100% of the shares in DEVIF-Fonds. Due to the fact that the instruments in which the Fund invests are measured at fair value in the management statement, the Bank believes that a "line-by-line" consolidation of the Fund would not result in material differences in the Bank's financial position compared to the current presentation.

Debt securities include subordinated instruments in the amount of € 0.77 million and other financial instruments acquired as part of the restructuring of Italian cooperative banks. The recoverability of these loans and receivables is highly dependent on the effectiveness of legal actions taken to recover the bad debts of distressed institutions. In 2021, these 152 debt securities were written down by € 285. Subordinated financial instruments refer to the subscriptions of debt securities of ICCREA Banca.

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

Item/Amounts	**31/12/2021**	**31/12/2020**
1. Equity instruments	**194**	**188**
of which: banks	187	180
of which: other financial companies	8	8
of which: other non-financial companies	-	-
2. Debt securities	**479**	**651**
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	479	651
of which: insurance companies	-	-
e) Non-financial companies	-	-
3. OEIC units	**131,705**	**113,180**
4. Loans	24	30
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	24	30
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**132,402**	**114,048**

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

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

Item/Amounts	31/12/2021			31/12/2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	**416,304**	**-**	**-**	**421,266**	**-**	**-**
1.1 Structured instruments	-	-	-	-	-	-
1.2 Other debt securities	416,304	-	-	421,266	-	-
2. Equity instruments	**-**	**-**	**56,467**	**-**	**-**	**37,586**
4. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**416,304**	**-**	**56,467**	**421,266**	**-**	**37,586**

Cassa Centrale Raiffeisen dell'Alto Adige is responsible for liquidity management for the entire Raiffeisen organisation of Alto Adige. The use of liquidity in the short term mainly concerns investments in government bonds. Investments in equity instruments concern minority shares. The most significant positions in this regard are the equity investment in Banca d'talia of € 25 million, the equity investment in ICCREA Banca of € 3.7 million and the equity investment in Assimoco Vita S.p.A. of € 7.2 million. During 2021, there was a change in the ownership structure of the subsidiary Alpenbank AG, which has now become Alpen Privatbank AG. Based on these changes, the equity investment of Cassa Centrale Raiffeisen in Alpen Privatbank AG was transferred from asset item 70 Equity investments to item 30 Financial assets measured at fair value. As at 31 December 2021, Cassa Centrale held a 12.5% stake in Alpen Privatbank AG. As a result of this reclassification, profits from equity investments of € 5.9 million were recognised in item 220 of the income statement.

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

Item/Amounts	31/12/2021	31/12/2020
1. Debt securities	**416,304**	**421,266**
a) Central Banks	-	-
b) Public administrations	416,304	421,266
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
2. Equity instruments	**56,467**	**37,586**
a) Banks	42,632	29,101
b) Other issuers	13,836	8,485
of which: insurance companies	12,788	7,406
c) Non-financial companies	7,193	7,193
d) other	1,048	1,079
3. Loans	-	-
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**472,771**	**458,852**

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

	Total 31/12/2021									
	Gross value					Total impairment losses				
	Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Purchased or originated credit-impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	Total partial write-offs(*)
Debt securities	416,600	416,600	-	-	-	296	-	-	-	-
Loans	-	-	-	-	-	-	-	-	-	-
Total 31/12/2021	**416,600**	**416,600**	**-**	**-**	**-**	**296**	**-**	**-**	**-**	**-**
Total 31/12/2020	**421,459**	**-**	**-**	**-**	**-**	**193**	**-**	**-**	**-**	**-**

Section 4 - Financial assets at amortised cost - Item 40

4.1 Financial assets at amortised cost: breakdown by type of loans and receivables with banks

Type of transaction/Amounts	31/12/2021						31/12/2020					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Stage 1 and 2	**Stage 3**	**Purchased or originated credit-impaired**	**L1**	**L2**	**L3**	**Stage 1 and 2**	**Stage 3**	**Purchased or originated credit-impaired**	**L1**	**L2**	**L3**
A. Loans and Receivables with Central	**116,144**					**116,144**	**616,291**					**616,291**
1. Term deposits				X	X	X				X	X	X
2. Compulsory reserve	116,144			X	X	X	616,291			X	X	X
3. Repurchase agreements				X	X	X				X	X	X
4. Other				X	X	X				X	X	X
B. Loans and receivables with banks	**2,469,790**				**8,474**	**2,461,278**	**2,015,058**				**2,203**	**2,012,800**
1. Loans	2,461,278					2,461,278	2,012,800					2,012,800
1.1 Current accounts				X	X	X	20,153			X	X	X
1.2. Term deposits	952			X	X	X	50,911			X	X	X
1.3 Other loans:	2,460,326			X	X	X	1,941,736			X	X	X
- Reverse repurchase agreements				X	X	X				X	X	X
- Finance leases				X	X	X				X	X	X
- Other	2,460,326			X	X	X	1,941,736			X	X	X
2. Debt securities	8,512				8,474		2,259				2,203	
2.1 Structured instruments	7,512				7,468							
2.2 Other debt securities	999				1,006		2,259				2,203	
Total	**2,585,934**				**8,474**	**2,577,422**	**2,631,349**				**2,203**	**2,629,091**

Through the Landesbank, the Raiffeisen member banks can take advantage of ECB refinancing. In this context, the Raiffeisen banks also participated in the ECB's own TLTRO refinancing measures.

4.2 Financial assets at amortised cost: breakdown by type of loans and receivables with customers

Type of transaction/Amounts	31/12/2021						31/12/2020					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Stage 1 and 2	**Stage 3**	**Purchased or originated credit-impaired**	**L1**	**L2**	**L3**	**Stage 1 and 2**	**Stage 3**	**Purchased or originated credit-impaired**	**L1**	**L2**	**L3**
1. Loans	**1,734,762**	**32,775**				**1,887,133**	**1,649,031**	**23,694**				**1,672,725**
1.1 Current accounts	102,284	1,419		X	X	X	92,964	1,690		X	X	X
1.2 Reverse repurchase agreements				X	X	X				X	X	X
1.3 Mortgages	1,088,540	23,710		X	X	X	1,013,074	14,569		X	X	X
1.4. Credit cards, personal loans and salary-backed loans	1,449			X	X	X	1,830			X	X	X
1.5. Finance leases	343,258	4,900		X	X	X	297,458	4,949		X	X	X
1.6. Factoring				X	X	X				X	X	X
1.7 Other loans:	199,231	2,746		X	X	X	243,705	2,486		X	X	X
2. Debt securities	**923,036**			**934,281**			**879,304**			**893,458**		
1. Structured instruments												
2. Other debt securities	923,036			934,281			879,304			893,458		
Total	2,657,798	32,775		934,281	1,312,730	574,403	2,528,335	23,694		893,458		1,672,725

The Landesbank's activities within the Raiffeisen Organisation are mainly focused on granting loans to businesses. In this area, it provides guidance to both Raiffeisen banks and customers on high-volume lease transactions. Other debt securities include Italian and other EU government bonds managed within the HTC management model.

4.3 *Finance leases*

31/12/2021						
Time bands	Explicit credits	Principal	of which guaranteed residual value	Interests	Gross investment	of which non-guaranteed residual value
Up to 3 months	140	8,396	2,226	1,899	8,536	6,310
From 3 months to 1 year	-	26,631	6,757	5,392	26,631	19,874
From 1 year to 5 years	-	135,224	23,914	21,317	135,224	111,310
Beyond 5 years	-	180,644	12,274	13,314	180,644	168,370
Unspecified maturity	3,682	51,510	-	-	55,193	55,193
Gross total	3,822	402,405	45,171	41,922	406,228	361,057
Net impairment losses	-	-	-	-	-	-
Net total	**3,822**	**402,405**	**45,171**	**41,922**	**406,228**	**361,057**

31/12/2020						
Time bands	Explicit credits	Principal	of which guaranteed residual value	Interests	Gross investment	of which non-guaranteed residual value
Up to 3 months	122	5,992	2,183	1,777	6,114	3,931
From 3 months to 1 year	-	22,722	7,924	5,054	22,722	14,798
From 1 year to 5 years	-	117,248	29,519	19,788	117,248	87,729
Beyond 5 years	-	158,011	13,557	12,025	158,012	144,455
Unspecified maturity	3,682	112,791	-	-	116,473	116,473
Gross total	3,804	416,764	53,183	38,644	420,569	367,386
Net impairment losses	-	-	-	-	-	-
Net total	**3,804**	**416,764**	**53,183**	**38,644**	**420,569**	**367,386**

4.4 *Financial assets at amortised cost: breakdown by debtor/issuer of loans and receivables with customers*

Type of transaction/Amounts	31/12/2021			31/12/2020		
	Carrying amount			Carrying amount		
	Stage 1 and 2	Stage 3	Purchased or originated credit-impaired	Stage 1 and 2	Stage 3	Purchased or originated credit-impaired
1. Debt securities	**923,036**	**-**	**-**	**879,304**	**-**	**-**
a) Public administrations	923,036	-	-	879,304	-	-
b) Other financial companies	-	-	-	-	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	-	-	-	-	-	-
2. Loans to:	**1,734,762**	**32,775**	**-**	**1,649,031**	**23,694**	**-**
a) Public administrations	10,619	-	-	9,433	-	-
b) Other financial companies	77,371	504	-	85,315	3,780	-
of which: insurance companies	10,675	-	-	11,051	-	-
c) Non-financial companies	1,462,944	28,128	-	1,421,445	18,344	-
d) Households	183,829	4,143	-	132,838	1,571	-
Total	**2,657,798**	**32,775**	**-**	**2,528,335**	**23,694**	**-**

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

	Gross value					Total impairment losses				
	Stage 1	of which instruments with low credit risk	Stage 2	Stage 3	Purchased or originated credit-impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	Total partial write-offs
1. GL-compliant forborne loans	126,968	7,501	28,227	5,532		717	2,702	1,665		
2 Subject to existing moratorium measures that no longer comply with the GL and are not considered as forborne										
3. Other forborne loans			13,745	1,269			316	268		
4. New loans	67,476	23,601	5,623	1,000		176	157	145		
Total 31/12/2021	194,444	31,102	47,595	7,801		893	3,175	2,078		
Total 31/12/2020	491,182	107,256	83,873	4,215		1,568	4,053	2,135		

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

31/12/2021										
	Gross value					Total impairment losses				
	Stage 1	of which instruments with low credit risk	Stage 2	Stage 3	Purchased or originated credit-impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	Total partial write-offs*
Debt securities	932,286					738				
Loans	4,098,816	2,849,012	229,047	65,675		7,294	8,385	32,900		2,086
Total 31/12/2021	**5,031,102**	**2,849,012**	**229,047**	**65,675**		**8,032**	**8,385**	**32,900**		**2,086**
Total 31/12/2020	**5,033,693**	**2,920,743**	**139,772**	**56,275**		**7,125**	**6,656**	**32,581**		

Section 7 - Equity investments - Item 70

7.1 *Equity investments: information on the investment shares*

Name	Registered office	Operating office	% equity investment	% Voting rights
A. Wholly-controlled enterprises				
B. Jointly-controlled enterprises				
CASSE RURALI RAIFFEISEN FINANZIARIA S.P.A.	BOLZANO (BZ)	BOLZANO (BZ)	50	50
C. Companies subject to significant influence				
RAIFFEISEN SERVIZI ASSICURATIVI S.R.L.	BOLZANO (BZ)	BOLZANO (BZ)	50	30

Following a merger with Walser Raiffeisenholding, during 2021, there was a change in the ownership structure of the subsidiary Alpenbank AG, which is now Alpen Privatbank AG. The equity investment of Cassa Centrale Raiffeisen dell'Alto Adige now amounts to 12.5% and is shown in the financial statements under asset item 30 under securities at fair value together with the other non-controlling interests. Casse Rurali Raiffeisen Finanziaria S.p.A. prepares its financial statements in accordance with Italian Legislative Decree No. 139/2015. Therefore, a reconciliation of the financial statements according to IAS/IFRS was also prepared for this investee company. A reconciliation statement according to IAS/IFRS was also prepared for the 2021 financial statements of Raiffeisen Versicherungsdienst.

7.2 Significant equity investments: carrying amount, fair value and dividends received

Name	Carrying amount	Fair value	Dividends received
A. Wholly-controlled enterprises			
B. Jointly-controlled enterprises			
CASSE RURALI RAIFFEISEN FINANZIARIA S.P.A.	19,594		
C. Companies subject to significant influence			
RAIFFEISEN SERVIZI ASSICURATIVI S.R.L.	6,869		127
Total	26,463		127

Equity investments were measured at equity.

CRR Fin S.p.A. ended the financial year 2021 with a profit of € 1,502 thousand. Goodwill of € 2,024 thousand was recognised at the time of the acquisition of the equity investment in RVD GmbH. On these equity investments, the bank did not identify any evidence of impairment as a result of the measurements on the 2021 financial statements.

The fair value column was not corroborated as these are non-listed companies and it is assumed that the values shown for each equity investment represent the best possible measurement based on the information available to the bank.

Finally, it should be noted that dividends received during the year from these equity investments were recognised as a decrease in their value, as they were already included in their measurement at equity as at 31 December 2020.

7.3 Significant equity investments: accounting information

Name	Cash and cash equivalents	Financial assets	Financial liabilities	Total revenues	Net interest income	Pre-tax profit (loss) from continuing operations	Post-tax profit (loss) from continuing operations	Post-tax profit (loss) from discontinued operations	Profit (loss) for the year (1)	Other comprehensive income net of income taxes (2)	Comprehensive income (3) = (1) + (2)
A. Wholly-controlled enterprises											
B. Jointly-controlled enterprises											
CASSE RURALI RAIFFEISEN FINANZIARIA S.P.A.	128	65,109	30,061			(151)	1,502		1,502		1,502
C. Companies subject to significant influence											
RAIFFEISEN SERVIZI ASSICURATIVI S.R.L.		12,000	531	5,278			2,050		2,050		2,050

In accordance with IFRS 12, the table shows the figures taken from the financial statements as at 31 December 2021 of the investee companies and their reconciliation statements referring to 100% of the equity investment and not to the percentage held by the bank.

7.5 Equity investments: annual changes

Description	**31/12/2021**	**31/12/2020**
A. Opening balance	**32,344**	**30,046**
B. Increases	**2,135**	**2,298**
B.1 Purchases	-	-
B.2 Reversals of impairment losses	1,520	1,856
B.3 Revaluations	615	442
B.4 Other increases	-	-
C. Decreases	**8,016**	**-**
C.1 Sales	8,016	-
C.2 Impairment losses	-	-
C.3 Other decreases	-	-
D. Closing balance	**26,463**	**32,344**
E. Total revaluations	**14,195**	**12,060**
F. Total impairment losses	**11,580**	**11,580**

The reversals of impairment losses refer to the equity investment CRR FIN S.p.A..

Section 8 - Property, equipment and investment property - Item 80

8.1 Property, equipment and investment property used in the business: breakdown of assets measured at cost

Asset/Amounts	31/12/2021	31/12/2020
1. Owned	**14,006**	**14,671**
a) land	5,965	5,965
b) buildings	6,886	7,497
c) furniture	831	845
d) electronic systems	237	307
e) other	87	58
2. Rights of use acquired through the financial lease	**52**	**45**
a) land		
b) buildings		
c) furniture		
d) electronic systems		
e) other	52	45
Total	**14,058**	**14,717**
of which: obtained through the realisation of guarantees received	-	-

The provisions of IFRS 16 were applied to the recognition of rights of use. In particular, rights of use were activated for four long-term lease contracts for company cars.

8.6 Property, equipment and investment property used in the business: annual changes

	Land	Buildings	Furniture	Electronic systems	Other	Total
A. Opening balance, gross	**5,965**	**8,059**	**901**	**386**	**227**	**15,538**
A.1 Total impairment losses		562	79	79	124	**821**
A.2 Opening balance, net	**5,965**	**7,497**	**845**	307	103	**14,717**
B. Increases:	**-**	**-**	**56**	**20**	**139**	**215**
B.1 Purchases	-	-	56	20	139	215
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Reversals of impairment losses	-	-	-	-	-	-
B.4 Fair value gains recognised in	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
B.5 Exchange rate gains	-	-	-	-	-	-
B.6 Transfers from investment property	-	-	-	-	-	-
B.7 Other increases	-	-	-	-	-	-
C. Decreases:	**-**	**615**	**70**	**87**	**102**	**874**
C.1 Sales	-	-	-	-	-	-
C.2 Depreciations	-	565	70	87	102	824
C.3 Impairment losses recognised in	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
C.4 Fair value losses recognised in	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
C.5 Exchange rate losses	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) investment property	-	-	-	-	-	-
b) discontinued operations	-	-	-	-	-	-
C.7 Other decreases	-	50	-	-	-	50
D. Closing balance, net	**5,965**	**6,882**	**831**	**240**	**140**	**14,058**
D.1 Total impairment losses	-	565	70	87	102	824
D.2 Closing balance, gross	**5,965**	**7,447**	**901**	**327**	**242**	**14,882**
E. Measured at cost	-	-	-	-	-	-

Gross opening balances, accumulated depreciation and net opening balances correspond to the previous year's closing balances.

Section 9 - Intangible assets - Item 90

9.1 Intangible assets: breakdown by type of asset

Asset/Amounts	31/12/2021		31/12/2020	
	Definite life	Indefinite life	Definite life	Indefinite life
A.1 Goodwill	**117**	**-**	**-**	**-**
A.2 Other intangible assets	**7**	**-**	**30**	**-**
of which: software	7	-	30	-
A.2.1 Assets measured at cost:	7	-	30	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	7	-	30	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	**124**	**-**	**30**	**-**

Intangible assets refer to licences for the use of software and the acquisition of a business unit in 2021.

9.2 *Intangible assets: annual changes*

	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total
		Definite	Indefinite	Definite	Indefinite	
A. Opening balance				**3,459**		**3,459**
A.1 Total impairment losses				3,429		3,429
A.2 Opening balance, net	-	-	-	30	-	30
B. Increases	**117**	**-**	**-**	**3**	**-**	**120**
B.1 Purchases	117	-	-	3	-	120
B.2 Increases in internally generated intangible assets	-	-	-	-	-	-
B.3 Reversals of impairment losses	-	-	-	-	-	-
B.4 Fair value gains recognised in	-	-	-	-	-	-
-equity	-	-	-	-	-	-
-profit or loss	-	-	-	-	-	-
B.5 Exchange rate gains	-	-	-	-	-	-
B.6 Other increases	-	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**26**	**-**	**26**
C.1 Sales	-	-	-	-	-	-
C.2 Impairment losses	-	-	-	26	-	26
- Amortisation	-	-	-	26	-	26
- Impairment:	-	-	-	-	-	-
+ equity	-	-	-	-	-	-
+ profit or loss	-	-	-	-	-	-
C.3 Fair value losses	-	-	-	-	-	-
-equity	-	-	-	-	-	-
-profit or loss	-	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	-	-	-
C.5 Exchange rate losses	-	-	-	-	-	-
C.6 Other decreases	-	-	-	-	-	-
D. Closing balance, net	**117**	**-**	**-**	**7**	**-**	**124**
D.1 Total net impairment losses	-	-	-	3,455	-	3,455
E. Closing balance, gross	**117**	**-**	**-**	**3,462**	**-**	**3,579**
F. Measured at cost	**-**	**-**	**-**	**-**	**-**	**-**

Section 10 - Tax assets and liabilities - Item 100 under assets and item 60 under liabilities

10.1 Deferred tax assets: breakdown

Description	IRES	IRAP	Total
A) recognised in profit or loss	**5,738**	**862**	**6,600**
1. impairment of loans	4,139	592	4,730
2. tax losses	-	-	-
3. other	1,599	270	1,870
B. recognised in equity	**31**	**5**	**36**
1. valuation reserves	31	5	36
2. other	-		
Total	**5,769**	**868**	**6,636**

Other deferred tax assets under A refer to measurements of loans and receivables with banks and with customers and commitments and guarantees given. Deferred tax assets are considered fully recoverable on the basis of expected taxable income in future periods.

10.2 Deferred tax liabilities: breakdown

Description	IRES	IRAP	Total
A) recognised in profit or loss	**564**	**-**	**564**
B) recognised in equity	**4,171**	**705**	**4,877**
1. valuation reserves	4,171	705	4,877
2. other	-		
Total	**4,735**	**705**	**5,441**

The increase in deferred tax liabilities is due to the increase in valuation reserves related to FVOCI and FVOCIE securities.

Deferred tax assets and liabilities were calculated for corporate income tax IRES and IRAP tax, when due.

The rates used to calculate deferred taxation are 27.5% for IRES and 4.65% for IRAP.

10.3 Changes in deferred tax assets (recognised in profit or loss)

	31/12/2021	31/12/2020
1. Opening balance	**7,186**	**8,010**
2. Increases	**967**	**1,392**
2.1 Deferred tax assets recognised in the year	967	1,392
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) reversals of impairment losses	-	-
d) other	967	1,392
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**1,552**	**2,216**
3.1 Deferred tax assets cancelled during the year	1,552	2,216
a) reversals	-	-
b) impairment losses due to non-recoverability	-	-
c) changes in accounting policies	-	-
d) other	1,552	2,216
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
a) conversion into tax assets as per Italian Law 214/2011	-	-
b) Other	-	-
4. Closing balance	**6,601**	**7,186**

10.3.1 Changes in deferred tax assets as per Italian Law 214/2011

	31/12/2021	31/12/2020
1. Opening balance	**4,395**	**5,098**
2. Increases	**-**	**-**
3. Decreases	**703**	**703**
3.1 Reversals	703	703
3.2 Conversions into tax assets		
a) deriving from losses for the year	-	-
b) deriving from tax losses	-	-
3.3 Other decreases	-	-
4. Closing balance	**3,692**	**4,395**

10.4 Changes in deferred tax liabilities (recognised in profit or loss)

	31/12/2021	31/12/2020
1. Opening balance	**3,307**	**3,314**
2. Increases	**79**	**79**
2.1 Deferred tax assets recognised in the year	79	79
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	79	79
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**2,822**	**86**

3.1 Deferred tax assets cancelled during the year	2,822	86
a) reversals	-	-
b) due to changes in accounting policies	-	-
c) other	2,822	86
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**564**	**3,307**

10.5 Changes in deferred tax assets (recognised in equity)

	31/12/2021	31/12/2020
1. Opening balance		**157**
2. Increases	**36**	**-**
2.1 Deferred tax assets recognised in the year	36	-
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	36	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**-**	**157**
3.1 Deferred tax assets cancelled during the year	-	157
a) reversals	-	157
b) due to changes in accounting policies	-	-
c) other	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**36**	**-**

10.6 Changes in deferred tax liabilities (recognised in equity)

	31/12/2021	31/12/2020
1. Opening balance	**6,857**	**3,610**
2. Increases	**-**	**3,247**
2.1 Deferred tax assets recognised in the year	-	-
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	-	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	3,247
3. Decreases	**1,980**	**-**
3.1 Deferred tax assets cancelled during the year	-	-
a) reversals	-	-
b) impairment losses due to non-recoverability	-	-
c) due to changes in accounting policies	-	-
d) other	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	1,980	-
4. Closing balance	**4,877**	**6,857**

Section 12 - Other assets - Item 120

12.1 Other assets: breakdown

	31/12/2021	31/12/2020
a) cheques being processed	6,537	8,258
b) clearing service with Bank of Italy	100	77
c) advances to suppliers	618	608
d) interest, commissions and charges to be collected	3,391	1,946
e) other sundry payables	28,917	14,716
Total	**39,562**	**25,604**

As a central bank, Cassa Centrale Raiffeisen dell'Alto Adige S.p.A. acts as an intermediary for the Raiffeisen member banks and third-party customers in national and international payment systems and for the fulfilment of orders for the purchase and sale of securities. Cassa Centrale Raiffeisen dell'Alto Adige is a direct member of the Bank of Italy's Target to Security gross settlement and securities settlement systems and indirectly of the Monte Titoli S.p.A. system. Other sundry debtors include tax receivables acquired by the bank of € 8,225 thousand.

Part B - Information on the statement of financial position (balance sheet)

Liabilities

Section 1 - Financial liabilities at amortised cost - Item 10

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

Type of transaction/Amounts	31/12/2021				31/12/2020			
	Carrying amount	Fair Value			Carrying amount	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Due to central banks	**3,496,233**	**X**	**X**	**X**	**2,825,160**	**X**	**X**	**X**
2. Due to banks	**969,460**	**X**	**X**	**X**	**773,622**	**X**	**X**	**X**
2.1 Current accounts and sight deposits	434,199	X	X	X	273,118	X	X	X
2.2 Term deposits	525,522	X	X	X	491,304	X	X	X
2.3 Loans	8,039	X	X	X	9,080	X	X	X
2.3.1 Repurchase agreements	-	X	X	X	-	X	X	X
2.3.2 Other	8,039	X	X	X	9,080	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	
2.6 Other payables	1,700	X	X	X	119	X	X	X
Total	**4,465,693**	**-**	**-**	**4,465,613**	**3,598,782**	**-**	**-**	**3,598,782**

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

Type of transaction/Amounts	31/12/2021				31/12/2020			
	Carrying amount	Fair Value			Carrying amount	Fair Value		
		L1	L2	L3		L1	L2	L3
1 Current accounts and sight deposits	918,908	X	X	X	724,878	X	X	X
2 Term deposits	138,781	X	X	X	170,682	X	X	X
3 Loans	1,579	X	X	X	94,611	X	X	X
3.1 Repurchase agreements		X	X	X	90,761	X	X	X
3.2 Other	1,579	X	X	X	3,850	X	X	X
4 Payables for commitments to repurchase own equity instruments		X	X	X		X	X	X
5 Lease payables	52	X	X	X	46	X	X	X
6 Other payables	92,906	X	X	X	88,199	X	X	X
Total	**1,152,226**	**-**	**47,218**	**1,032,038**	**1,078,416**	**-**	**47,218**	**1,032,038**

Repurchase agreements were concluded with the counterparty Cassa di Compensazione e Garanzia. Other payables include third-party funds under management, in accordance with supervisory regulations.

1.3 *Financial liabilities at amortised cost: breakdown by type of securities issued*

Type of transaction/Amounts	31/12/2021				31/12/2020			
	carrying amount	Fair Value			carrying amount	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. Bonds	825,803	452,705	382,631		724,748	300,476	436,864	
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	825,803	452,705	382,631	-	724,748	300,476	436,864	-
2. Other securities	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	-	-	-	-	-	-	-	-
Total	**825,803**	**452,705**	**382,631**	**-**	**724,748**	**300,476**	**436,864**	**-**

In 2021, Cassa Centrale Raiffeisen dell'Alto Adige issued bonds of € 150 million on the national and international markets as part of a multi-year EMTN programme.

Section 2 - Financial liabilities held for trading - Item 20

2.1 Financial liabilities held for trading: breakdown by type

Type of transaction/Amounts	31/12/2021					31/12/2020				
	NV	Fair Value			FV *	NV	Fair Value			FV *
		L1	L2	L3			L1	L2	L3	
A. On-statement of financial position liabilities										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-	-	
3.1 Bonds	-	-	-	-	-	-	-	-	-	
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	X	-	-	-	-	X
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total A	-	-	-	-	-	-	-	-	-	-
B. Derivative instruments										
1. Financial derivatives	X	-	1,069	59	X	X	-	1,227	217	X
1.1 trading	X	-	1,069	59	X	X	-	1,227	217	X
1.2 Associated with fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	X	-	-	-	X	X	-	-	-	X
2.1 Trading	X	-	-	-	X	X	-	-	-	X
2.2 Associated with fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**-**	**1,069**	**59**	**X**	**X**	**-**	**1,227**	**217**	**X**
Total (A+B)	**X**	**-**	**1,069**	**59**	**X**	**X**	**-**	**1,227**	**217**	**X**

Key

FV = fair value
FV* = fair value calculated by excluding changes in value due to change in creditworthiness of the issuer with respect to the issue date
NV = nominal or notional value
L1 = Level 1
L2 = Level 2
L3 = Level 3

Section 4 - Hedging derivatives - Item 40

4.1 Hedging derivatives: breakdown by type of hedge and level

	NV. (2021)	2021 fair value			NV. (2021)	2020 fair value		
		L1	L2	L3		L1	L2	L3
A) Financial derivatives	**24,022**	**-**	**1,184**	**-**	**27,474**	**-**	**2,208**	**-**
1) Fair value	24,022	-	1,184	-	27,474	-	2,208	-
2) Cash flows	-	-	-	-	-	-	-	-
3) Investments in foreign operations	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**24,022**	**-**	**1,184**	**-**	**27,474**	**-**	**2,208**	**-**

Key

NV = nominal value
L1 = Level 1
L2 = Level 2
L3 = Level 3

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

Transactions/Type of hedge	Fair Value						Cash flows		Investments in foreign operations
	Specific								
	debt securities and interest rates	equity instruments and share indices	currencies and gold	credit	commodities	other	Specific	Generic	
1. Financial assets measured at fair value through other comprehensive income	-	-	-	-	X	X	X	-	X
2. Financial assets measured at amortised cost	1,184	X	-	-	X	X	X	-	X
3. Portfolio	X	X	X	X	X	X	-	X	-
4. Other transactions	-	-	-	-	-	-	X	-	X
Total assets	**1,184**	-	-	-	-	-	-	-	-
1. Financial liabilities	-	X	-	-	-	-	X	-	X
2. Portfolio	X	X	X	X	X	X	-	X	-
Total liabilities	-	X	-	X	-	-	-	-	-
1. Expected transactions	X	X	X	X	X	X	X	-	X
2. Other financial assets and liabilities	X	X	X	X	X	X	-	X	-

Section 8 - Other liabilities – Item 80

8.1 Other liabilities: breakdown

Description	31/12/2021	31/12/2020
a) amounts available to third parties	11	3
b) trade payables	1,374	1,713
c) clearing service with Bank of Italy	3,383	1,915
d) items in progress (temporary accounts)	25,322	15,504
e) other liabilities	8,882	5,912
Total	**38,972**	**25,049**

Items in progress are attributable to collection and payment transactions on behalf of third parties as well as securities transactions. The increase compared to the previous year is mainly due to the volumes of transactions at the end of the year on the temporary accounts dedicated to items in progress.

Section 9 - Post-employment benefits - Item 90

9.1 Post-employment benefits: annual changes

	31/12/2021	31/12/2020
A. Opening balance	**3,676**	**3,843**
B. Increases	**143**	**123**
B.1 Accruals for the year	-	-
B.2 Other increases	143	123
C. Decreases	**390**	**290**
C.1 Benefits paid	280	280
C.2 Other decreases	110	10
D. Closing balance	**3,429**	**3,676**

As from 1 January 2007, the provisions of Italian Law no. 252 of 5 December 2005 came into force with anticipated effect, resulting in the payment of post-employment benefits accrued since 1 July 2007 into a supplementary pension fund or the INPS Treasury Fund. The post-employment benefit fund was measured by an independent actuary.

The following assumptions were adopted for the actuarial valuation of the post-employment benefit fund:

- annual discount rate 0.29%
- annual inflation rate 1.20%
- annual rate of increase of post-employment benefits 2.40%

For the valuation of the discount rate, the iBoxx Eurozone Corporates AA5 7 index at the valuation date was taken as a reference.

Section 10 - Provisions for risks and charges - Item 100

10.1 Provisions for risks and charges: breakdown

Item/Amounts	**31/12/2021**	**31/12/2020**
1 Provisions for risks and charges relating to commitments and financial guarantees given	2,422	2,672
2. Provisions on other commitments and other guarantees given	-	-
3. Company pension funds	-	-
4. Other provisions for risks and charges	381	462
4.1 legal and tax disputes	220	225
4.2 personnel expenses	-	-
4.3 other	161	237
Total	**2,803**	**3,134**

Provisions for legal disputes concern a number of disputes relating to the sale of financial products as well as a dispute concerning the interpretation of contractual clauses, a dispute with the tax authorities and a dispute over an alleged failure to apply current regulations.

Other provisions for risk include the provision for employee loyalty bonuses and a provision for higher expected future contributions to the Depositors' Guarantee Fund.

10.2 Provisions for risks and charges: annual changes

	Pension funds	Other funds	Total
A. Opening balance	**-**	**3,134**	**3,134**
B. Increases	**-**	**1,381**	**1,381**
B.1 Accruals for the year	-	1,381	1,381
B.2 Changes over time	-	-	-
B.3 Changes due to discount rate fluctuations	-	-	-
B.4 Other increases	-	-	-
C. Decreases	**-**	**1,712**	**1,712**
C.1 Use in the year	-	1,712	1,712
C.2 Changes due to discount rate fluctuations	-	-	-
C.3 Other decreases	-	-	-
D. Closing balance		**2,803**	**2,803**

10.3 Provisions for credit risk relating to commitments and guarantees given

Item/Amounts	Provisions for credit risk relating to commitments and guarantees given				
	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	**Total**
Commitments to disburse funds	800	124	564	-	**1,489**
Financial guarantees given	269	79	586	-	**934**
Total	**1,069**	**203**	**1,150**	**-**	**2,422**

Section 12 - Company equity - Items 110, 130, 140, 150, 160, 170 and 180

12.1 Share capital and treasury shares: breakdown

Description	31/12/2021	31/12/2020
1. Share capital	225,000	225,000
2. Share premium reserve	-	-
3. Reserves	177,013	149,369
4. (Treasury shares)	-	-
5. Valuation reserves	21,202	26,712
6. Equity instruments	-	-
7. Profit (Loss) for the year	42,739	24,071
Total	**465,954**	**425,151**

12.2 Share capital - Number of shares: annual changes

Items/Types	**Ordinary**	**Other**
A. Shares at the beginning of the year	**225,000**	-
- fully paid-up	225,000	-
- not fully paid-up	-	-
A.1 Treasury shares (-)	-	-
A.2 Outstanding shares: opening balance	**225,000**	-
B. Increases	-	-
B.1 New issues	-	-
- against payment	-	-
- business combinations	-	-
- conversion of bonds	-	-
- exercising of warrants	-	-
- other	-	-
- free of charge	-	-
- on behalf of employees	-	-
- on behalf of directors	-	-
- other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other increases	-	-
C. Decreases	-	-
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	-	-
C.3 Disposals of companies	-	-
C.4 Other decreases	-	-
D. Outstanding shares: final balance	**225,000**	-
D.1 Treasury shares (+)	-	-
D.2 Shares outstanding at the end of the year	225,000	-
- fully paid-up	225,000	-
- not fully paid-up	-	-

12.4 Income-related reserves: other information

The bank's income-related reserves consist of profit allocations made in previous years, as well as the reclassification of the provision for general banking risks, the provision for credit risks and other provisions following the first-time adoption of IAS/IFRS.

12.5 Equity instruments: breakdown and annual changes

Item/Amounts	**Amount**	**Possibility of use**	**Amount available**
a) Legal reserve	18,772	B	9,700
b) Statutory reserve	50,400	A-B-C	50,400
c) Voluntary reserve	77,200	A-B-C	77,200
d) Other reserves	30,641	A-B	30,641
Total	**177,013**		**167,941**

As a result of the tax realignment of the value of the property owned under Italian Law no. 126 of 13 October 2020, a tax restriction was placed on the legal reserve in the amount of € 9.07 million.

Key:

A: for share capital increase
B: as loss coverage
C: for distribution to Shareholders

Part B - Information on the statement of financial position (balance sheet)

Other information

1. Commitments and financial guarantees given other than those designated at fair value

	notional amount on commitments and financial guarantees given				Total 31/12/2021	Total 31/12/2020
	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
1. Commitments to disburse funds	**1,249,615**	**32,898**	**4,817**	**-**	**1,287,330**	**1,104,877**
a) Central Banks	-	-	-	-	-	-
b) Public administrations	5,977	-	-	-	5,977	7,593
c) Banks	721,067	-	-	-	721,067	552,823
d) Other financial companies	5,303	10	-	-	5,313	8,135
e) Non-financial companies	502,882	31,435	4,795	-	539,113	522,047
f) Households	14,386	1,452	21	-	15,859	14,279
2. Financial guarantees given	**232,532**	**23,049**	**3,515**	**-**	**259,095**	**233,713**
a) Central Banks	-	-	-	-	-	-
b) Public administrations	66	-	-	-	66	1,166
c) Banks	22,536	-	-	-	22,536	19,388
d) Other financial companies	18,531	12	-	-	18,543	18,664
e) Non-financial companies	187,137	22,604	3,495	-	213,236	191,725
f) Households	4,262	433	20	-	4,715	2,770

3. Assets pledged as guarantee for the Bank's liabilities and commitments

Portfolios	Amount 31/12/2021	Amount 31/12/2020
1) Financial assets at fair value through profit or loss		
2) Financial assets at fair value through other comprehensive income	367,489	173,812
3) Financial assets measured at amortised cost	319,641	369,803
4) Property, equipment and investment property		
of which: property, equipment and investment property that constitute inventories		

4. Management and trading on behalf of third parties

Type of service	Amount
1. Execution of orders on behalf of customers	1,958,235
a) Purchases	1,958,235
1. settled	1,955,344
2. unsettled	2,891
b) Sales	
1. settled	
2. unsettled	
2. Individual portfolio management	**905,052**
3. Custody and administration of securities	**9,949,818**
a) third-party securities held on deposit: when acting as custodian bank (excluding portfolio management)	
1. securities issued by the reporting bank	
2. other securities	
b) third-party securities held on deposit (excluding portfolio management): other	8,543,173
1. securities issued by the reporting bank	748,961
2. other securities	7,794,212
c) third-party securities deposited with third parties	8,303,282
d) treasury securities deposited with third parties	1,406,645
4. Other transactions	

PART C - Information on the income statement

Section 1 - Interest - Items 10 and 20

1.1 Interest and similar income: breakdown

Items/Technical forms	Debt securities	Loans	Other transactions	**Total 31/12/2021**	**Total 31/12/2020**
1 Financial assets measured at fair value through profit or loss	17	-	-	17	122
1.1 Financial assets held for trading	-	-	-	-	-
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily designated at fair value	17	-	-	17	122
2 Financial assets at fair value through other comprehensive income	**2,224**	-	X	**2,224**	**3,316**
3 Financial assets measured at amortised cost	**3,590**	**36,180**		**39,739**	**41,841**
3.1 Loans and receivables with banks	40	2,058	X	**2,097**	**2,127**
3.2 Loans and receivables with customers	3,550	34,122	X	**37,642**	**39,715**
4 Hedging derivatives	X	X	-	-	-
5 Other assets	X	X	-	-	-
6 Financial liabilities	X	X	X	30,711	16,941
Total	**5,830**	**36,180**	**-**	**72,691**	**62,220**
of which: interest on impaired financial assets	-	1,062	-	1,062	1,304
of which: interest on finance leases	X	7,599		7,599	7,499

1.2 Interest and other income: other information

1.2.1 Interest on foreign currency financial assets

Description	**31/12/2021**	**31/12/2020**
Interest on foreign currency financial assets	33	82

1.3 Interest and similar expense: breakdown

Items/Technical forms	Payables	Securities	Other transactions	Total 31/12/2021	Total 31/12/2020
1. Financial liabilities measured at amortised cost	**1,513**	**8,356**	**X**	**9,869**	**17,955**
1.1 Due to central banks	-	X	X	-	-
1.2 Due to banks	695	X	X	695	9,556
1.3 Due to customers	818	X	X	818	1,115
1.4 Securities issued	X	8,356	X	8,356	7,285
2. Financial liabilities held for trading	-	X	-	-	-
3. Financial liabilities at fair value	-	-	-	-	-
4. Other liabilities and provisions	X	X	-	-	-
5. Hedging derivatives	X	X	495	495	532
6. Financial assets	X	X	X	19,693	16
Total	**1,513**	**8,356**	**495**	**30,057**	**18,503**
of which: interest expense related to lease payables	-	X	X	-	-

1.4 Interest and similar expense: other information

1.4.1 Interest expense on foreign currency liabilities

Description	31/12/2021	31/12/2020
Interest on foreign currency financial liabilities	-	1

1.5 Interest and similar expense: differences relating to hedging transactions

Item/Amounts	**Total 31/12/2021**	**Total 31/12/2020**
A. Gains on hedging transactions	-	-
B. Losses on hedging transactions	495	532
C. Balance (A-B)	**(495)**	**(532)**

Section 2 - Fees and commissions - Items 40 and 50

2.1 Fee and commission income: breakdown

Type of services/Amounts	31/12/2021	31/12/2020
a) Financial instruments	2,213	1,455
1. Placement of securities	1,252	590
1.1 With and/or based on firm commitment	-	-
1.2 Without firm commitment	1,252	590
2. Order acceptance and transmission and execution of orders on behalf of customers	926	835
2.1 Order acceptance and transmission of one or more financial instruments	926	835
2.2. Execution of orders on behalf of customers	-	-
3. Other commissions related to financial instrument activities	35	31
di cui: dealing for own account	35	31
b) Corporate Finance	-	-
1. Advice on mergers and acquisitions	-	-
2. Treasury services	-	
3. Other commissions related to corporate finance services	35	-
Consulting services on investments	-	-
d) Clearing and settlement	-	-
e) Custody and administration	**12,003**	**10,357**
1. Custodian bank	1,059	843
2. Other commissions related to custody and administration activities	10,944	9,514
f) Central administrative services for collective portfolio management	1,767	-
g) Fiduciary services	-	-
h) Payment services	**15,850**	**12,195**
1. Current accounts	3,101	2,861
2. Credit cards	179	142
3. Debit cards and other payment cards	3,045	3,073
4. Bank transfers and other payment orders	337	286
5. Other commissions related to payment services	9,188	5,833
Distribution of third-party services	**424**	**403**
1. Collective portfolio management	-	-
2. Insurance products	144	110
3. Other products	280	294
of which: individual portfolio management	-	-
j) Structured Finance	-	-
k) Servicing for securitisation transactions	-	-
l) Commitments to disburse funds	-	-
m) Financial guarantees given	**1,914**	**1,859**
of which: credit derivatives	-	-
n) Funding transactions	-	-
of which: factoring transactions	-	-
o) Currency trading	-	-
p) Commodities	-	-
q) Other fee and commission income	**3,321**	**2,454**
of which: management of multilateral trading facilities	-	-
of which: management of organised trading facilities	-	-
Total	**37,492**	**28,723**

With the 7th update of Circular 262, the Bank of Italy redefined the structure of this table. As a result, the 2020 comparative figures were also reclassified.

As from 1 January 2014, the bank took over ownership of the Raiffeisen Open Pension Fund. This activity generated contributions and administrative fee and commission income totalling € 11,370.

2.2 *Fee and commission income: distribution channels of products and services*

Channels/Amounts	31/12/2021	31/12/2020
a) at Bank branches:	**1,676**	**287**
1. portfolio management	-	-
2. placement of securities	1,252	177
3. third party products and services	424	110
b) outside bank branches:	-	-
1. portfolio management	-	-
2. placement of securities	-	-
3. third party products and services	-	-
c) other distribution channels:	-	-
1. portfolio management	-	-
2. placement of securities	-	-
3. third party products and services	-	-

2.3 Fee and commission expense: breakdown

Type of Services/Amounts	31/12/2021	31/12/2020
a) Financial instruments	**2,707**	**1,382**
of which: trading of financial instruments	48	90
of which: placement of financial instruments	101	20
of which: individual portfolio management	2,558	1,273
- Own account	-	-
- For third parties	2,558	1,273
b) Clearing and settlement	523	503
c) Custody and administration	792	665
d) Collection and payment services	5,533	2,965
of which: credit cards, debit cards and other payment cards	5,336	2,744
e) Servicing for securitisation transactions	-	-
f) Commitments to disburse funds	-	-
g) Financial guarantees received	265	309
of which: credit derivatives	-	-
h) off-premises provision of financial instruments, products and services	6,418	5,183
i) Currency trading	-	
j) Fee and commission expense	1,133	914
Total	**17,371**	**11,921**

With the 7th update of Circular 262, the Bank of Italy redefined the structure of this table. As a result, the 2020 comparative figures were also reclassified.

As from 1 January 2014, the bank took over ownership of the Raiffeisen Open Pension Fund.

This activity generated fee and commission expense totalling € 7,863.

Section 3 - Dividends and similar income - Item 70

3.1 Dividends and similar income: breakdown

Items/Income		31/12/2021		31/12/2020	
		dividends	similar income	dividends	similar income
A.	Financial assets held for trading	102	-	118	-
B.	Other financial assets mandatorily measured at fair value	-	-	-	-
C.	Financial assets measured at fair value through other comprehensive income	1,353	133	1,882	80
D.	Equity investments		-	-	-
	Total	**1,456**	**133**	**2,000**	**80**

These are dividends received from equity investments in various companies, which are recognised in the financial statements as financial assets measured at fair value through other comprehensive income. The most significant amounts concern dividends collected from the equity investment in the Bank of Italy.

Section 4 - profits (losses) on trading - Item 80

4.1 Profits (Losses) on trading: breakdown

Transactions/Income components	Gains (A)	Trading income (B)	Losses (C)	Trading losses (D)	Profits (Losses) on trading [(A+B)-(C+D)]
1. Financial assets held for trading	**1,707**	**2,264**	**330**	**-**	**3,641**
1.1 Debt securities	-	-	0	-	(0)
1.2 Equity instruments	1,707	1,742	287	-	3,162
1.3 OEIC units	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	521	42	-	479
2. Financial liabilities held for trading	**-**	**-**	**424**	**-**	**(424)**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	
2.3 Other	-	-	424	-	(424)
3. Financial assets and liabilities: exchange rate differences	**X**	**X**	**X**	X -	
4. Derivative instruments	**867**	**555**	**741**	570	**219**
4.1 Financial derivatives:	867	555	741	570	219
- On debt securities and interest rates	867	555	741	570	111
- On equity instruments and stock market share indices	-	-	-	-	-
- On currencies and gold		X	X	X	108
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges associated with fair value option	X	X	X	X	-
Total	**2,574**	**2,819**	**1,495**	**570**	**3,436**

Section 5 - Net hedging income (expense) - Item 90

5.1 Net hedging income (expense): breakdown

Income components/Amounts	**31/12/2021**	**31/12/2020**
A. Gains on:		
A.1 Fair value hedging derivatives	1,013	15
A.2 Financial assets with fair value hedges		
A.3 Financial liabilities with fair value hedges		
A.4 Financial derivatives for cash flow hedges		
A.5 Foreign currency assets and liabilities		
Total hedging income (A)	**1,013**	**15**
B. Losses on:		
B.1 Losses on:	(976)	(100)
B.2 Financial assets with fair value hedges		
B.3 Financial liabilities with fair value hedges		
B.4 Financial derivatives for cash flow hedges		
B.5 Foreign currency assets and liabilities		
Total hedging expense (B)	**(976)**	**(100)**
C. Net hedging expense (A-B)	**37**	**(85)**
of which: result of hedges on net positions		

Section 6 - Profits (losses) on disposal/repurchase - Item 100

6.1 Profits (losses) on disposal/repurchase: breakdown

Items/Income components	31/12/2021			31/12/2020		
	Profits	Losses	Net result	Profits	Losses	Net result
A. Financial assets						
1. Financial assets measured at amortised cost	**-**	**-**	**-**	**2,678**	**(9)**	**2,668**
1.1 Loans and receivables with banks	-	-	-	-	-	-
1.2 Loans and receivables with customers	-	-	-	2,678	(9)	2,668
2. Financial assets measured at fair value through other comprehensive income	**6,972**	**(19)**	**6,954**	**4,322**	**(764)**	**3,558**
2.1 Debt securities	6,972	(19)	6,954	4,322	(764)	3,558
2.2 Loans	-	-	-	-	-	-
Total assets	**6,972**	**(19)**	**6,954**	**7,000**	**(773)**	**6,227**
B. Financial liabilities measured at amortised cost						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	2	(34)	(32)	4	(22)	(18)
Total liabilities	**2**	**(34)**	**(32)**	**4**	**(22)**	**(18)**

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

Transactions/Income components	31/12/2021				
	Gains (A)	Gains on sales (B)	Losses (C)	Losses on sales (D)	Profits (Losses) on trading (A+B) - (C+D)
1. Financial assets	**14,289**	**84**	**(285)**	**-**	**14,088**
1.1 Debt securities	5	84	(110)	-	(21)
1.2 Equity instruments	-	-	-	-	-
1.3 OEIC instruments	14,284	-	(174)	-	14,110
1.4 Loans	-	-	(2)	-	(2)
2. Financial assets and liabilities: exchange rate differences	**X**	**X**	**X**	**X**	**-**
Total	**14,289**	**84**	**(285)**	**-**	**14,088**

Section 8 - Net impairment losses for credit risk - Item 130

8.1 Net impairment losses for credit risk relating to financial assets at amortised cost: breakdown

Transactions/Income components	Impairment losses (1)					Reversals of impairment losses (2)			Total 31/12/2021 (3) = (1)-(2)	Total 31/12/2020 (3) = (1)-(2)
	Stage 1 and 2	Stage 3		Purchased or originated credit-impaired		Stage 1 and 2	Stage 3	Purchased or originated credit-impaired		
		Write-off	Other	Write-off	Other					
A. Loans and receivables with banks	**1,636**	**-**	**-**	**-**	**-**	**165**	**-**	**-**	**(1,471)**	**(207)**
-Loans	1,630	-	-	-	-	164	-	-	(1,466)	(214)
-Debt securities	7	-	-	-	-	1	-	-	(5)	7
B. Loans and receivables with customers	**2,782**	**4,194**	**118**	**11,479**	**-**	**5,118**	**6,381**	**-**	**(7,074)**	**(9,521)**
-Loans	2,437	4,194	118	11,479	-	5,046	6,381	-	(6,802)	(10,169)
-Debt securities	345	-	-	-	-	72	-	-	(273)	648
Total	**4,418**	**4,194**	**118**	**11,479**	**-**	**5,283**	**6,381**	**-**	**(8,545)**	**(9,728)**

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

Transactions/Income components	**Impairment losses**					**Total 31/12/2021**	**Total 31/12/2020**
	Stage 1 and 2	Stage 3		Purchased or originated credit-impaired			
		Write-off	Other	Write-off	Other		
1. GL-compliant forborne loans	897	-	2,121	-	-	(3,017)	(2,269)
2 Subject to existing moratorium measures that no longer comply with the GL and are not considered as forborne	-	-	-	-	-	-	(413)
3. Other forborne loans	20	439	-	1,152	-	(1,611)	(413)
4. New loans	39	(26)	-	140	-	(153)	(334)
Total 31/12/2021	**1,310**	**-**	**3,413**	**-**	**-**	**(4,781)**	**(3,016)**
Total 31/12/2020	**1,343**	**-**	**1,673**	**-**	**-**	**-**	**(3,016)**

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

Transactions/Income components	Impairment losses (1)					Reversals of impairment losses (2)			Total 31/12/2021 (3) = (1)-(2)	Total 31/12/2020 (3) = (1)-(2)
	Stage 1 and 2	Stage 3		Purchased or originated credit-impaired		Stage 1 and 2	Stage 3	Purchased or originated credit-impaired		
		Write-off	Other	Write-off	Other					
A. Debt securities	131	-	-	-	-	28	-	-	(103)	62
B Loans	-	-	-	-	-	-	-	-	-	-
- with customers	-	-	-	-	-	-	-	-	-	-
-with banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**131**					**28**			**(103)**	**62**

Section 9 - Gains (losses) from amendments to contracts without derecognition - Item 140

9.1 Gains (losses) from amendments to contracts: breakdown

Description	Impairment losses	Reversals of impairment losses	Total 2021	Total 2020
Loans and receivables with customers	20	-	(20)	-

Section 10 - Administrative expenses - Item 160

10.1 Personnel expenses: breakdown

Type of expense/Amounts	31/12/2021	31/12/2020
1) Employees	20,546	17,992
a) wages and salaries	14,653	13,172
b) social security charges	3,884	3,027
c) post-employment benefits	839	740
d) pension expenses	-	-
e) accrual for post-employment benefits	-	-
f) accrual for pension and similar provisions:	-	-
-defined contribution	-	-
-defined benefit	-	-
g) payments to external supplementary pension funds:	835	730
-defined contribution	835	730
-defined benefit	-	-
h) costs deriving from payment agreements on own equity instruments share-based payment agreements	-	-
i) other employee benefits	335	323
2) Other personnel in service	3	20
3) Directors and statutory auditors	808	864
4) Retired personnel	-	-
5) Cost recoveries for employees seconded to other companies	-	-
6) Cost reimbursement for third party employees seconded to the bank	-	-
Total	**21,358**	**18,876**

The number of employees increased further as a result of the expansion of the services offered to the Raiffeisen member banks. Cassa Centrale Raiffeisen dell'Alto Adige offers the Raiffeisen member banks services related to the development of new products, support in defining transactions in the area of finance and credit, support in administrative and signalling activities, and finally the development of the internal control function.

Cassa Centrale Raiffeisen dell'Alto Adige also supports the RIS Kons.Gmbh information service centre in the development of EoP projects and the implementation of new regulations.

10.2 Average number of employees by category

Employees:	
a) executives	6
b) middle managers	73
c) other employees	125
Other personnel	2

Part-time employees were conventionally considered to be 50%.

10.5 Other administrative expenses: breakdown

Description	31/12/2021	31/12/2020
-indirect taxes and duties	2,223	1,675
-fees to professionals	3	3
-insurance companies	123	105
-rental of machines and equipment	44	54
-maintenance costs of own properties	168	179
-property, plant and machinery maintenance contracts	123	126
-postal expenses	117	72
-phone costs	32	32
-EDP, SWIFT and REUTERS expenses	6,011	5,051
-electricity and cleaning costs	306	248
-office supplies and printed matter	48	68
-travel, advertising and entertainment expenses	394	308
-contributions and donations	734	988
-contributions to the IPS underwriting syndicate	1,579	1,929
-contributions to the National Resolution Fund and voluntary contributions for the recovery of BCCs	4,941	3,779
-sundry expenses for treasury services	38	39
-expenses for books, magazines and information	16	9
-expenses for publications and translations	202	154
-legal costs	879	1,034
-expenses for auditing the financial statements	238	311
-other administrative expenses	1,638	1,124
Total	**19,857**	**17,288**

The increase in other administrative expenses is due to the contribution and operating expenses paid to the Institutional Protection Scheme in the amount of € 1,740 and the payment of ordinary and extraordinary contributions to the Depositors' Guarantee Fund and the National Resolution Fund of € 4,941.

Detailed information on Table 10.5: Other administrative expenses

Services assigned to the Independent auditors

In accordance with the resolution of the General Shareholders' Meeting of 18 May 2020, Cassa Centrale Raiffeisen dell'Alto Adige appointed EY S.p.A. to audit the annual financial statements envisaged by the regulations in force. As from 1 May 2021, EY S.p.A. effectively took over this task. In 2021, independent auditors PWC S.p.A., other entities belonging to the independent auditors' network, and the independent auditors EY S.p.A. received fees for the carrying out of the following services:

Type of services	Party that provided the service	Amount of fee
External audit	PWC S.p.A. (until 30 April 2021) EY S.p.A. (as from 1 May 2021)	95 25
Certification services	PWC S.p.A.	165
Tax consulting services	TLS	40

Certification reports for TLTRO operations were provided as part of the services carried out.

Other certifications concerned the issue of bonds and third-party securities and instruments under management.

Section 11 - Net provisions for risks and charges - Item 170

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

Description	31/12/2021	31/12/2020
1) Provisions for risks on endorsement credits and commitments to disburse funds	1,352	1,996
2) Reversals of provisions from previous years	1,602	1,384
Total	**250**	**(612)**

11.3 Net provisions for risks and charges: breakdown

Description	31/12/2021	31/12/2020
1) Accruals to other provisions for risks and charges		
a) legal disputes	25	55
b) other		89
2) Reversals of provisions from previous years		
a) legal disputes	12	35
b) other		
Total	**(13)**	**(109)**

Section 12 - Depreciation and net impairment losses on property, equipment and investment property - Item 180

12.1 Depreciation and net impairment losses on property, equipment and investment property: breakdown

Assets/Income component	Depreciation (a)	Impairment losses (b)	Reversals of impairment losses (c)	**Net result (a + b - c)**
A. Property, equipment and investment property				
1. Used in the business	824	-	-	824
- owned	792	-	-	792
-rights of use acquired through the lease	33	-	-	33
2. Investment property	-	-	-	-
- owned	-	-	-	-
-rights of use acquired through the lease	-	-	-	-
3. Inventories	-	-	-	-
Total	**824**	**-**	**-**	**824**

Section 13 - Amortisation and net impairment losses on intangible assets - Item 190

13.1 Amortisation and net impairment losses on intangible assets: breakdown

Assets/Income component	Amortisation (a)	Impairment losses (b)	Reversals of impairment losses (c)	**Net result (a + b - c)**
A. Intangible assets				
of which: Software	26	-	-	**26**
A.1 owned	26	-	-	**26**
-Generated internally	26	-	-	**26**
- Other	-	-	-	-
A.2 Rights of use acquired through the lease	-	-	-	-
Total	**26**	**-**	**-**	**26**

Section 14 - Other operating net income - Item 200

14.1 Other operating expenses: breakdown

Description	31/12/2021	31/12/2020
extraordinary expense	20	51
other expenses	-	-
Total	**20**	**51**

Extraordinary expense is attributable to operational errors.

14.2 Other operating income: breakdown

Description	31/12/2021	31/12/2020
repayment of indirect taxes	2,046	1-346
reimbursement of expenses	1,776	1,520
extraordinary income	45	924
other revenues	4,873	3,333
Total	8,741	**7,124**

Other operating income includes revenues from various consulting services offered to the Raiffeisen banks of € 2,276.

Section 15 - Net gains (losses) on equity investments - Item 220

15.1 Net gains (losses) on equity investments: breakdown

Income component/Amounts	**31/12/2021**	**31/12/2020**
A. Income	**7,027**	**1,449**
1. Revaluations	615	562
2. Gains on sale	5,908	
3. Reversals of impairment losses	504	887
4. Other income	-	-
B. Expense	**-**	**-**
1. Impairment	-	-
2. Impairment losses	-	-
3. Losses on sale	-	-
4. Other expenses	-	-
Net result	**7,027**	**1,449**

Impairment and revaluations of equity investments are made based on the measurement using the equity method of the investee companies and, if necessary, on the results of impairment tests.

Section 18 - Net gains (losses) on disposal of investments - Item 250

18.1 Net gains (losses) on disposal of investments: breakdown

Income component/Amounts	**31/12/2021**	**31/12/2020**
A. Property	-	-
-Gains on sale	-	-
-Losses on sale	-	-
B. Other assets	**(1)**	**(4)**
-Gains on sale	-	-
-Losses on sale	1	4
Net result	**(1)**	**(4)**

Section 19 - Income taxes - Item 270

19.1 Income taxes: breakdown

Income component/Amounts	**31/12/2021**	**31/12/2020**
1. Current taxes (-)	(13,786)	(7,625)
2. Changes in current taxes of prior years (+/-)	(46)	12
3. Reduction in current taxes for the year (+)	-	-
3. bis Reduction in current taxes for the year for credit taxes as per Italian Law no. 214/2011 (+)	-	-
4. Change in deferred tax assets (+/-)	(512)	(1,054)
5. Change in deferred tax liabilities (+/-)	3,009	86
6. Income taxes for the year (-) (-1 +/-2 +3 +/-4 +/-5)	**(11,335)**	**(8,581)**

19.2 Reconciliation between theoretical tax expense and actual tax expense

IRES

Description	**Gross profit**	**Tax**	**Percentage of profit**
Theoretical tax	54,074	14,870	27.50%
Actual tax	41,219	11,335	20.96%
Changes subject to reconciliation	**(12,855)**	**(3,535)**	

	Taxable income	**%**	**Tax**
IMU and other non-deductible taxes	81	27.50%	22
Non-deductible provisions	3,007	27.50%	827
Dividends from equity investments (excluding 95% share)	(330)	27.50%	(91)
IRAP deduction for personnel costs Italian Ministerial Decree 2011/11 art. 2	(42)	27.50%	(12)
ACE deductions	(3,751)	27.50%	(1,032)
Revaluations of non-deductible equity investments	(4,621)	27.50%	(1,271)
Other changes	(6,129)	27.50%	(1,685)
Changes subject to reconciliation	**(11,785)**		**(3,241)**

19.3 Reconciliation between theoretical tax expense and actual tax expense

IRAP

Description	**Gross profit**	**Tax**	**Percentage of profit**
Theoretical tax	54,074	2,514	4.65%
Actual tax	42,395	1,971	3.65%
Changes subject to reconciliation	**(11,679))**	**(542))**	

	Taxable income	**%**	**Tax**
50% Dividends	860	4.65%	40
10% amortisation	(59)	4.65%	(3)
10% Other administrative expenses	(1,976)	4.65%	(92)
Personnel expenses	(12,559)	4.65%	(584)
Other revenue	6,427	4.65%	299
Other changes	(4,373)	4.65%	(203)
Changes subject to reconciliation	**(11,679)**		**(542)**

Pursuant to Article 2 of Italian Law no. 44/2012, Cassa Centrale Raiffeisen dell'Alto Adige, together with Cassa Centrale Banca Credito Cooperativo, benefits from the tax transparency regulations envisaged by Article 115 of the Business Income Act with regard to the taxable income of the investee company CRR FIN S.p.A.. Accordingly, the taxable income and tax credits of the investee are included in the tax returns of the participating companies. For 2021, a loss of € 91 was included in the calculation of Cassa Centrale Raiffeisen dell'Alto Adige taxes.

21.2 Other information

The number of shares amounted to 225,000,000 as at 31 December 2021. Earnings per share, calculated as simple average of the ordinary shares outstanding as at 31 December 2021, were 19.00 eurocent. In the 2020 financial year, these earnings amounted to 11 eurocent per share.

Part D - Statement of comprehensive income

Analytical statement of comprehensive income

	Items	31/12/2021	31/12/2020
10.	**Net income (loss) for the year**	**42,739**	**24,071**
	Other comprehensive income net of income taxes without reclassification to profit or loss related to:	-	-
20.	**Equity instruments at fair value through other comprehensive income**	**7,488**	**(1,772)**
	a) Fair value change	7,488	(1,772)
	b) Transfers to other equity components	-	-
30.	**Financial liabilities designated at fair value through profit or loss (change in Bank's creditworthiness)**	**-**	**-**
	a) Fair value change	-	-
	b) Transfers to other equity components	-	-
40.	**Coverage of equity instruments at fair value through other comprehensive income**	**-**	**-**
	a) fair value change (hedged instrument)	-	-
	b) fair value change (hedging instrument)	-	-
-	**Property, equipment and investment property**	**-**	**-**
60.	**Intangible assets**	**-**	**-**
70.	**Defined benefit plans**	**30**	**(182)**
80.	**Non-current assets held for sale and disposal groups**	**-**	**-**
90.	**Portion of valuation reserves of equity-accounted investments**	**1,662**	**1,408**
100.	**Income taxes relating to other comprehensive income without reclassification to profit or loss**	**(2,951)**	**175**
	Other comprehensive income with reclassification to profit or loss:	-	-
110.	**Hedging of investments in foreign operations**	**-**	**-**
	a) fair value changes	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
120.	**Exchange rate differences**	-	-
	a) fair value changes	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
130.	**Cash flow hedges**	-	-
	a) fair value changes	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
	of which: result of net positions	-	-
140.	**Hedging instruments (elements not designated)**	-	-
	a) fair value changes	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
150.	**Financial assets (other than equity instruments) at fair value through other comprehensive income**	**(11,738)**	**7,077**
	a) fair value changes	(11,530)	9,754
	b) reclassification to profit or loss	(208)	(2,677)
	- impairment due to credit risk	0	(2,668)
	- gains (losses) on sales	(208)	(9)

	c) other changes	-	-
160.	**Non-current assets held for sale and disposal groups:**	-	-
	a) fair value changes	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
170.	**Portion of valuation reserves of equity-accounted investments**	-	-
	a) fair value changes	-	-
	b) reclassification to profit or loss	-	-
	- impairment losses	-	-
	- gains (losses) on sales	-	-
	c) other changes	-	-
180.	**Income taxes relating to other comprehensive income with reclassification to profit or loss**	**-**	**-**
190.	**Total other comprehensive income**	**(5,510)**	**6,706**
200.	**Comprehensive income (10+190)**	**37,229**	**30,777**

Part E - Information on risks and relative hedging policies

Foreword

Cassa Centrale Raiffeisen dell'Alto Adige S.p.A. pays special attention to maintaining an effective risk management that ensures the constant monitoring and management of risks.

Cassa Centrale Raiffeisen dell'Alto Adige carries out its business in accordance with the following risk management principles, which are set out in the risk management policy:

- Risks are monitored and taken systematically in order to achieve a sustainable return over time;
- Risk exposures are continuously adjusted to the bank's risk capacity and risk appetite;
- Conflicts of interest are avoided or limited as far as possible, both on a personal and organisational basis;
- Risk management standards are based on national and international standards and are consistent with those of similar banking groups in terms of structure and size;
- The Bank's risk and risk management policies are based on the going concern principle;
- The risk thresholds, in particular those set by the supervisory authority, or by the Articles of Association, are complied with on an ongoing basis by expecting an adequate safety margin;
- The bank is primarily active only in those areas for which it has sufficient experience and knowledge to assess the underlying risks, or commitments are made solely as a result of the development or creation of the corresponding know-how;
- The bank does not take on financial instruments in its portfolio that are difficult to value;
- The introduction of new products, services or activities, as well as the entry into new markets, is usually preceded - as part of the innovation process - by an adequate analysis of the target market and all potential risks. The principle of prudence is applied when risk situations arise that are difficult to assess;
- Possible exceptions or extreme situations are - where relevant and appropriate - presented in the form of stress scenarios, and the results derived are then duly taken into account in risk management;
- For particularly critical business processes, the bank has contingency plans that can be adopted in case of internal or external events of an extraordinary nature, in order to ensure the continuation of operations and the continuity of the bank;
- Appropriate risk management standards are defined for all risks relevant to the bank, which are then set out in internal policies or regulations;
- The bank's RAF described below is based on the risk management principles listed above. The same applies to the internal processes for assessing the adequacy of total capital (ICAAP) and liquidity (ILAAP).

The risk appetite of Cassa Centrale Raiffeisen dell'Alto Adige is defined in the Risk Appetite Framework (hereinafter RAF). The RAF is a component of the internal control system and contributes to the implementation of the principle of sound and prudent management of the bank. Specifically, the RAF is a system that sets risk limits and targets. For each of the different risk categories, risk targets are defined in the RAF in order to manage, control and monitor them. The RAF encompasses not only the definition of risk appetite, but also a broad and comprehensive system that regulates competencies, processes, interventions and escalations.

The RAF is based on the bank's business model and is consistent with the bank's business planning, organisational structure, maximum risk capacity, the internal capital adequacy and internal liquidity assessment process (ICAAP/ILAAP), the recovery plan according to the Bank Recovery and Resolution Directive (BRRD) and the system of internal controls.

In order for the RAF to be an effective risk management tool, it must contain both qualitative descriptions of the risk objectives (risk appetite statement) and quantitative prescriptions (thresholds or limits) on the defined key indicators. In order to ensure consistency between the business model and planning (strategic and operational), the RAF includes risk indicators as well as indicators and requirements relating to the bank's profitability, performance and business model.

As part of the risk governance and management process, the Risk Management function has key roles and tasks. However, risk management in general concerns the entire bank, from the corporate bodies down to the individual employee.

The bank's risk management complies with supervisory standards. For each relevant risk, the bank prepares an appropriate risk management process divided into the following steps:

- risk identification (identification of the main risk factors);
- risk analysis (analysis of all major risks and risk factors, definition of risk indicators and models, preparation of internal rules);
- risk measurement and assessment (quantification, measurement or qualitative assessment of all risks);
- risk monitoring (continuous monitoring of risks and underlying indicators, control of compliance with internal and external regulations and standards, identification of risk trends);
- risk reporting and disclosure (timely reporting, the preparation and dissemination of which facilitates decision-making, consideration of possible changes in the current and future context, assessment of possible risk impacts and new opportunities, risk awareness, risk culture);
- risk management and related interventions (implementation of interventions and their documentation).

The RAF, the Internal Capital Adequacy Assessment Process (ICAAP), the Liquidity Adequacy Assessment Process (ILAAP) and the Bank's Recovery Plan are key elements in the implementation of an effective risk management process.

Risk management takes place as part of an organisational model that provides for a clear separation between control functions and operational structures and pursues the following objectives:

- ensuring adequate equity and liquidity availability;
- preventing losses;
- ensuring correct and complete reporting;
- continuing to operate in compliance with all internal and external regulations relevant to the bank.

In accordance with the provisions of corporate governance, the organisational model of Cassa Centrale Raiffeisen dell'Alto Adige defines the main responsibilities of the corporate bodies, also in order to protect the effectiveness and efficiency of the entire internal control system:

- The Board of Directors, which has a strategic supervisory role in accordance with supervisory regulations, is responsible for the risk control and management system and - as part of the related governance - for the processes of defining, approving, modifying, applying and monitoring the strategic objectives and internal rules for risk governance;

- The General Manager and the Board of Directors, who together form the management body, monitor the effective implementation of the strategic objectives, the RAF and the guidelines defined by the Board of Directors for risk management. They are also responsible for taking all necessary steps to ensure that the organisational model and internal controls comply with the principles and requirements set out in the supervisory regulations, and for monitoring compliance on an ongoing basis;
- The Risk Committee provides support and consultancy to the Board of Directors with regard to its tasks and competencies in the area of risk management. All matters relevant to risk management are submitted to the Risk Committee for detailed consideration prior to approval by the Board of Directors.
- The Board of Statutory Auditors, as the control body, monitors the completeness, adequacy, efficiency and reliability of the internal control system and the RAF. The Board of Statutory Auditors, as the control body, monitors the completeness, adequacy, efficiency and reliability of the internal control system and the RAF.

Risk management at the Cassa Centrale Raiffeisen dell'Alto Adige concerns all departments and business units, which are required to carry out their work with constant care and attention. According to the supervisory provisions, the internal control system is divided into three levels:

- line or first-level controls, which are the responsibility of the production units and are designed to ensure the smooth running of the bank's activities;
- second-level controls (Risk Management and Compliance functions) that identify, analyse, measure, monitor and manage risks;
- third-level controls (internal audit function), which are designed to identify the existence of anomalies in procedures and to assess the functioning and effectiveness of the overall system of internal controls.

In accordance with current prudential supervisory regulations, the Risk Management and Compliance functions report directly to the Board of Directors.

Similarly, it is envisaged that the General Manager will operationally coordinate the activities of these two functions.

The Internal Audit Service reports directly to the Board of Directors.

The Risk Management function is responsible for implementing the following activities and standards:

- ensuring ongoing compliance of risk management with supervisory provisions, as well as with current standards and internal risk management policies and regulations;
- developing, maintaining, validating and continuously adapting procedures, methods and indicators for assessing and managing the risks falling within its competence;
- developing stress scenarios and conducting stress tests (possibly with the support of other relevant functions); communicating the results of the stress tests to the relevant corporate bodies and formulating appropriate proposals for action;
- making proposals on the content, indicators and requirements of the RAF;
- ongoing monitoring of the conformity of the actual risk profile of Cassa Centrale Raiffeisen dell'Alto Adige with the defined requirements; notifying the bodies and risk takers of any overdue and proposing appropriate action;
- supporting the Board of Directors in the implementation and the carrying-out of ICAAP and ILAAP processes; coordinating the different phases of the ICAAP and ILAAP processes; implementing activities that fall within the tasks and competences of the Risk Management function;

- checking the proper and adequate implementation of the monitoring and performance control of individual credit exposures;
- Prior examination of major corporate events, innovations and outsourced activities.

The Compliance and Anti-Money Laundering service, which is also independent of production structures such as the Risk Management department, is responsible for identifying, assessing, managing and monitoring risks arising from non-compliance with external and internal regulations that could lead to administrative or legal sanctions, financial loss or damage to the Group's reputation. The head of this function has also been given responsibility for the anti-money laundering function, with the task of continuously verifying that the company's procedures are consistent with the objective of preventing and combating violations of external and internal regulations on money laundering and the financing of terrorism as far as possible.

The Internal Audit service is responsible for checking the efficiency and effectiveness of the internal control system.

The regulations require this activity to be carried out by a structure independent of the production structure, with qualitative and quantitative characteristics appropriate to the complexity of the company and its activities.

The Internal Audit service carries out its activities on the basis of a specific annual control plan, which is approved in advance by the Board of Directors after informing the Board of Statutory Auditors. The results of the checks carried out by Internal Audit are reported to both the Board of Directors and the Board of Statutory Auditors.

Cassa Centrale Raiffeisen dell'Alto Adige established an organisational model in accordance with the provisions of Italian Legislative Decree no. 231 of 8 June 2001.

To build an effective risk management system, it is essential to create and promote - in words and deeds - a corporate culture that focuses on employee integrity, risk management and adequate internal control mechanisms.

Cassa Centrale Raiffeisen dell'Alto Adige takes concrete measures to develop, maintain and expand a sound risk control and compliance culture. Promoting an appropriate risk culture is an evolving process that is part of the bank's strategic planning.

Public Disclosure

Information on public disclosure and country by country reporting can be found on the website: https://www.raiffeisen.it/it/cassa-centrale/siamo-sostenibili/chisiamo/investor-relations/informativa-al-pubblico.html.

Section 1 - Credit Risk

Qualitative information

1. General aspects

<u>Credit risk: definition</u>

Credit risk is the present and future risk of adverse consequences arising from the failure of a borrower to meet its repayment obligations, either in whole or in part, or at a time other than that contractually agreed. The credit risk components are:

- the risk of a deterioration in creditworthiness (migration risk) resulting from a deterioration in the creditworthiness of the counterparty;
- the risk of delay, i.e. the risk that a counterparty will meet its payment obligations at a time other than that contractually agreed;
- the risk of default, i.e. the risk that a counterparty fails to meet all or part of its payment obligations (the risk of default also includes the risk of insolvency).

The credit risk may arise from adverse developments affecting individual borrowers (idiosyncratic risk, also known as specific or non-systemic risk) or from global events and developments affecting all or part of the portfolio (systemic risk). Systemic risks can affect the solvency of public borrowers or issuers.

Securities in the banking book are also exposed to credit risk in accordance with the standardised approach required by supervisory regulations. Counterparty risk includes the risk of credit valuation adjustments on derivative instruments (CVA risk), exposures arising from securities financing transactions, derivatives and transactions with long-term settlement.

<u>Customer segments in the credit system</u>

The lending practices of the Cassa Centrale Raiffeisen dell'Alto Adige are focused on the segment of small and medium-sized enterprises (exposures above € 1 million make up well over 80% of the loans and receivables portfolio), while loans and receivables with private customers are limited.

Cassa Centrale Raiffeisen dell'Alto Adige also acts as a financial partner of local authorities and their related structures.

<u>Credit risk and counterparty risk</u>

In addition to the credit risk related to traditional lending practices, Cassa Centrale Raiffeisen dell'Alto Adige is also exposed to a limited extent to credit risk arising from securities and counterparty risks, mainly due to non-speculative securities positions, securities financing transactions and OTC derivative positions.

The securities portfolio is largely composed of government securities with very limited credit risk, which carry a zero weighting under the standardised approach of the supervisory regulations, but which, if held under the HTCS business model, can have an impact on the bank's own funds in the event of fluctuations in their value. Counterparty risk arising from non-speculative activities in OTC derivatives and from securities financing transactions is low.

Information on the EBA Guidelines (EBA/GL/2020/07) is also published as part of the annual report "Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID 19 crisis".

2. Credit risk management policies

2.1 Organisational aspects

Organisational structure and brief outline of responsibilities

The organisational structure in charge of credit risk management is in line with the standards applied by banks of similar size and complexity:

- the credit area is clearly separated from the sales area;
- the functions responsible for the credit investigation, monitoring and management phases are separate organisational units;
- the bank's personnel are competent, qualified, have the necessary know-how to handle even complex credit transactions, and are trained on a regular basis;
- The Risk Management function analyses and monitors risks both at the level of the entire portfolio and of a part of it;
- the bank established a credit committee that meets regularly once or twice a month.

The Sales Area is entrusted with customer consultancy and support. This function prepares the credit line proposal and also a written opinion on the customer's creditworthiness. Consultants within this function must also monitor the volume of business, the occurrence of overdue, the presence of loan back instalments, etc. for the customers assigned to them.

The Credit Area evaluates credit line proposals, carries out periodic credit reviews and also monitors credit performance. This function ensures an independent credit assessment process and the support of consultants in monitoring credit positions.

The Credit function is also responsible for preparing loan agreements, monitoring the performance of the entire loan portfolio through first level controls, regularly updating ratings and managing documentation relating to individual loans. This function is also responsible for monitoring the performance of credit transactions with groups of related customers.

The Risk Management function verifies, as part of its second-level controls, both the proper carrying out of credit monitoring and the development of credit risk at the level of the entire portfolio and part of it.

Credit risk is monitored by analysing the following factors:

- growth of the loans portfolio and individual segments thereof;
- credit quality of the portfolio and its changes (based on the assigned rating, allocation stage, classification, time, etc.);
- non-performing loans (amount, portion, coverage rate, recoverability rate etc.);
- impairment losses (of performing and non-performing loans, based on IFRS 9 levels, etc.);
- absorption of internal capital (capital at risk) for credit risk and related changes;
- expected credit losses and related changes (for the whole or part of the portfolio and for the different segments);
- provision of new loans (solvency, amounts, etc.);
- special lending (amount and portions, changes, solvency, etc.);

- loans characterised by overdue and/or past due payments;
- CRM techniques for the provision of guarantees (amount and portions, external estimates, capital savings, etc.);
- concentration (accumulation risk, Herfindahl index, sectoral concentration, geographic concentration, by credit line, form of collateral, time bands, etc.);
- validation and backtesting of the rating model (portion of positions without rating, back revisions, overridings, backtesting of the rating model, of the SICR model for the identification of significant credit risk increases at the credit line level and of the econometric model);
- call risk (portion of undrawn credit lines);
- stress tests (ICAAP/ILAAP, recovery plan, econometric model for calculating lifetime PDs).

In order to further strengthen risk management, meetings between the Credit Area and the Risk Management function take place on a quarterly basis.

Credit-related standards are set out in various policies and regulations of the credit, risk management and accounting areas, in which the following contents are regulated (although the list is not exhaustive):

- strategic objectives;
- credit risk management objectives;
- organisational aspects;
- operating processes;
- criteria for classifying risk positions;
- methods for the monitoring of credit risk performance;
- methods for managing non-performing loans;
- criteria for the measurement of credit positions and the calculation of impairment losses;
- allocation of decision-making powers in the lending process;
- accounting methods and standards of performing and non-performing exposures.

In addition, various procedural and methodological descriptions have been formulated for the credit area, which are updated on an ongoing basis.

2.2 Management, measurement and control systems

<u>Main steps in the lending process</u>

The lending process of the Cassa Centrale Raiffeisen dell'Alto Adige varies according to the segment of borrowers. Therefore, depending on the segment (retail exposures, loans to businesses or specialised lending), there are different lending processes. The data on the loan application (requested loan, duration, amount of instalments, amortisation, etc.) are recorded electronically by means of a precise credit workflow (business process management).

In the case of a new transaction, the credit process starts with the loan proposal and the documentation to be submitted. The subsequent assessment of the applicant's creditworthiness is based on predefined data from external and internal sources. In order to limit the financing risk, the Bank also checks whether the potential loan is properly structured, whether the type of loan requested is the appropriate financing instrument and, finally, whether the equity ratio for the exposure to the customer is appropriate in relation to the amount of the loan requested.

As part of the decision-making process, a method has been developed to calculate the borrower's ability to repay, in addition to the standard credit assessment process. This method makes it possible to check whether the customer will be able to meet its financial commitments, i.e. whether the results achieved or expected will enable the debt to be repaid.

A rating is assigned to each borrower and this task is normally the responsibility of the Credit line Analysis sector (except for small loans). During the rating process, the borrowers in the loan portfolio are divided into subgroups that are as homogeneous as possible and assigned a rating class.

A fundamental requirement for credit assessment is the determination of solvency, which can also be derived from the assigned rating class and the default rate derived from the rating and the type of borrower segment. The bank's internal policies provide for the possibility of making manual changes to the rating obtained under certain conditions. For this purpose, a special override catalogue was defined, which lists the cases in which a manual rating change is allowed. However, the ratings assigned can be adjusted up or down by a maximum of two levels. The potential risk of credit losses is limited by the acquisition of adequate collateral. As a rule, mortgages, personal guarantees, liens, savings books and securities of all kinds serve as collateral.

These instruments must comply with the requirements for guarantees covering claims set out in the internal policies.

After assessing the borrower's ability to pay, other factors affecting the borrower and the collateral securing the loan, it is possible to form an opinion on the borrower's creditworthiness in relation to the loan application. The information gathered is then grouped into a standardised assessment file, which is used by the managers to decide whether or not to grant the loan. In this context, the system of allocation of decision-making powers defined in internal policies applies.

Other processes

In addition to the lending process just described, the bank has a number of other procedures for analysing creditworthiness, approving, renewing and monitoring loans, etc.

"Early warning" system

The activities of the Monitoring and Anomalous Credit Service ensure the continuous and timely identification of changes in the solvency of individual borrowers and of significant increases in credit risk in accordance with IFRS 9.

This is an essential prerogative for the timely activation of credit risk management measures within the credit process by the relevant corporate functions (e.g. timely enforcement of credit guarantees).

The early warning system used in the credit area is essential for the activities of the credit monitoring function.

Non-performing exposures are systematically monitored and analysed, and appropriate action is taken.

Disclosure of weightings applied to loans

Regulation (EU) 2020/873 introduced some changes to the capital requirements for banks. Cassa Centrale Raiffeisen dell'Alto Adige applies these provisions to support SMEs, which provide for a support factor of 76.19% for credit exposures up to € 2.5 million and a support factor of 85% for amounts above € 2.5 million.

With measure no. 1454062/20 of 04 November 2020, the Bank of Italy officially approved the Raiffeisen Guarantee Scheme, the first Institutional Protection Scheme (IPS) in Italy. Pursuant to this measure, as from 31 December 2020, the members of the Raiffeisen Südtirol IPS Cooperative Society (RIPS) can assign a risk weight of zero per cent to loans and receivables with member institutions of the Raiffeisen IPS in accordance with Art. 113, paragraph 7 CRR. Cassa Centrale Raiffeisen dell'Alto Adige takes advantage of this opportunity.

Internal provisions and stress tests

The RAF of the Cassa Centrale Raiffeisen dell'Alto Adige defines a set of indicators and internal provisions for the containment and management of credit risk (loans and receivables with customers, exposures to banks and securities). Moreover, within the "extended RAF", additional operational provisions are set for Level 3 indicators to limit credit risk.

The development of the above indicators and compliance with the provisions of the RAF are constantly monitored by the Credit Area as part of first-level controls and by Risk Management as part of second-level controls.

The Board of Directors is informed on a quarterly basis of the compliance with the established provisions. Moreover, credit and counterparty risks, together with other risks relevant to the bank, are subject to a specific risk analysis carried out by Risk Management at least once a year.

Credit risk is subject to specific stress tests as part of the ICAAP/ILAAP processes and the recovery plan. Moreover, the econometric model (satellite model) described above is used to calculate lifetime PDs in accordance with IFRS 9.

With regard to stress tests, whether at a precise point in time or prospectively, on the concentration risk of a single counterparty, the relevant simplified model envisaged by the Bank of Italy in Circular no. 285/13 is used (plus additional stress factors). On the other hand, the model developed by the Italian Banking Association (ABI) (plus additional stress factors) is used for stress testing, whether at a specific point in time or prospectively, in relation to geo-sector concentration risk.

2.3 Models for assessing credit risk and expected credit risk

Impact of the Covid-19 pandemic

Cassa Centrale Raiffeisen dell'Alto Adige closely monitored the development of the pandemic and its impact on lending during the past financial year 2021. This was achieved by keeping abreast of the various support measures taken by the Italian State, the Autonomous Province of Bolzano and the Italian Banking Association, as well as internal measures, and by implementing them for the benefit of customers. In granting the various support measures, the repayment capacity of the customers was taken into account and the guidelines and suggestions of the EBA, ECB, Bank of Italy and ESMA authorities were followed. A detailed description of this can be found in the Notes to the Financial Statements, Part A, Section 4, Measures in Response to the Covid 19 pandemic.

The following models and methods are used to assess the credit risk positions with customers:

- standardised supervisory method for calculating capital requirements for credit risk;
- rating model for assessing risk positions vis-à-vis customers;
- IFRS 9 accounting standard and models used for the purposes of IFRS 9 (e.g. SICR model, econometric model to calculate lifetime PD to which scenarios and their probabilities of occurrence correspond, which are updated annually, etc.);
- early warning system for the credit area;
- monitoring and evaluation of credit positions at the level of the entire portfolio and part of it;
- benchmarking analysis;
- stress tests;
- annual validation of static models;
- risk assessments started in special situations (e.g. in case of abnormal risk development);
- the aforementioned second and third level RAF indicators.

Some of these methods are briefly described below.

Rating model

Cassa Centrale Raiffeisen dell'Alto Adige has a rating model that meets the following requirements:

- it was prepared on the basis of historical data found in the RGO (Raiffeisen money movement in which the Raiffeisen banks and Cassa Centrale Raiffeisen dell'Alto Adige participate);
- it was developed with the support of external consultants experienced in statistical modelling, taking into account statistical techniques reflecting best market practice (e.g. using logistic regression to identify and model relevant indicators);
- refers to the default prudential definition;
- enables the assessment of all major segments of the bank's borrowing customers;
- enables the calculation of the expected loss to maturity for exposures allocated to stage 2 and 3 in accordance with IFRS 9 through the use of additional model parameters and internal rating-based modelling;
- includes expectations regarding the development of the macroeconomic environment (e.g. economic situation, unemployment) in the calculation of lifetime PD.

The rating model used at Cassa Centrale Raiffeisen dell'Alto Adige is based on three pillars:

- pillar 1: performance module;
- pillar 2: quantitative module;
- pillar 3: qualitative module.

The rating is calculated by assigning specific weights to the three pillars, which are defined for each segment of borrowing customers.

Manual changes (overrides) to ratings calculated using the model can only be made by the Credit Area, only in justified cases and on the basis of demonstrable objective criteria. It is therefore necessary that such changes are properly justified and documented.

Calculation of expected losses on loans and receivables

The parameters for calculating expected credit losses are in line with the provisions of IFRS 9. Loss given default (LGD) rates are formulated using forward-looking information and have been benchmarked to current market standards.

The lifetime PD calculation has been updated to 31 December 2021, taking into account both internal components based on historical default rates and macroeconomic components to incorporate forward-looking information (FLI). The three scenarios used are based on forecasts of relevant macroeconomic indicators (e.g. gross domestic product, unemployment rate, interest level or inflation) made by Banca d'Italia, Österreichische Nationalbank (Austrian National Bank) and the European Banking Authority (EBA) for the years 2022, 2023 and 2024 (Bank of Italy Macroeconomic Projections, latest available EBA stress test in which macroeconomic scenarios are taken into account ('Macro-financial scenario for the 2021 EU-wide banking sector stress test')).

Quantitative Stage Allocation Model (SICR Model) under IFRS 9

The quantitative measurement model has been further refined to monitor changes in credit risk and to identify significant increases. This model sets a limit value for each exposure. If this limit value is exceeded, the exposure is classified as stage 2. The parameters used to calculate the individual limit have been determined using a statistical method (quantile regression) for Private and Enterprise customer segments. This model takes into account relevant attributes of the credit exposures (e.g. change in PD, age of the exposure, maturity of the credit line). Credit risk is compared over the entire life of the exposure using lifetime PD. The model is reviewed annually and the benchmarks are updated as necessary.

2.4 Credit risk mitigation techniques

In accordance with the corporate objectives and the credit policy defined by the Board of Directors, the most frequently used method of credit risk mitigation (CRM) at Cassa Centrale Raiffeisen dell'Alto Adige is the acquisition of various types of personal and collateral security.

Cassa Centrale Raiffeisen dell'Alto Adige has not entered into netting agreements for on- and off-statement of financial position transactions and has not entered into any derivative contracts to hedge credit risk.

A portion of the loans of Cassa Centrale Raiffeisen dell'Alto Adige is secured by (normally first) mortgages: a deduction is applied to the appraised value of the mortgages and other collateral, prudently calculated in relation to the type of collateral provided. Moreover, a significant portion of the loans is secured by personal guarantees, usually sureties issued, as the case may be, by the shareholders of the customer enterprises or by persons related to the borrowers. The existence of collateral also determined the maximum credit line that is granted to a single customer or a group of related customers.

As at 31 December 2021, cash exposures secured by real and personal collateral represented 50.79% of the total loan portfolio to customers, of which 40.25% was secured by mortgages or pledges.

Loans and receivables with banks are mostly secured by securities (mainly government bonds).

With regard to securities, no specific credit risk mitigation is currently planned as the portfolio is mainly composed of securities from issuers with high creditworthiness.

Residual risk arising from the use of credit risk mitigation techniques is defined as the current and future risk of negative impact from mitigation techniques that prove to be less effective and appropriate than originally anticipated (e.g. inadequate collateral, difficulty in increasing collateral value, lack of legal effectiveness).

Irrespective of the use of CRM techniques pursuant to the regulatory provisions, the relevant strategies, guidelines and regulations within Cassa Centrale Raiffeisen dell'Alto Adige are aimed at the prudent management of credit risk and normally provide for the acquisition of adequate collateral to protect the exposure (see section on credit risk).

The use of CRM techniques can expose the bank to additional risks (e.g. operational and legal risks) which can reduce or eliminate the effectiveness of the original guarantee. As a result, the risk exposure may be higher than originally estimated.

Exposures to banks are mostly collateralised by securities (mainly government bonds). Cassa Centrale Raiffeisen dell'Alto Adige uses CRM techniques for repo transactions, using government bonds or government-backed bonds, as well as for guarantees/sureties of local authorities.

CRM techniques are also applied for loans to small and medium-sized enterprises covered by a State guarantee (managed by Mediocredito Centrale).

The bank applies supervisory techniques for mortgage loans to mitigate credit risk (CRM techniques).

In this regard, special internal regulations were drawn up in which the following contents are regulated:

- roles and responsibilities of the competent company officers and functions;
- the control and monitoring activities to be carried out throughout the life of the security on property;
- the criteria to be met by the guarantees to be acquired;
- operational standards for checking the general and specific requirements of mortgage guarantees.

In order to monitor the above-mentioned areas, for which CRM techniques are envisaged, control schedules have been integrated into the internal datamart. Moreover, the Risk Management function created a specific control area for CRM-related risks in the relevant tableau de bord, which is updated on a quarterly basis. This risk is also dealt with in the Risk Management's annual risk analysis.

The process of acquisition, processing and management of guarantees is continuously monitored. The Credit line Analysis sector monitors the acquisition of guarantees through line controls aimed at checking the adequacy of the documentation submitted. The Monitoring and Anomalous Credit Service continuously monitors the development of the value of property held as collateral and requests that it be updated in cases defined by internal and external regulations.

The standards for the periodic updating of property value estimates are those defined by the Italian Banking Association (ABI). The updating of these estimates is based on both statistical methods (indexed and at least annual revaluation of properties) and analytical methods (valuation carried out by external experts according to standards defined by the bank).

During second-level controls in the credit area, the Risk Management function carries out specific control activities relating to the correct application of the standards defined for CRM techniques.

3. *Non-performing loans*

3.1 *Management strategies and policies*

In accordance with supervisory regulations, non-performing loans are divided into the following categories:

- bad loans;
- unlikely to pay;
- exposures past due and/or overdue by more than 90 days.

An individual borrower/counterparty approach is applied to exposures past due and/or overdue by more than 90 days. This means that the entire exposure of a borrower must be classified as exposures past due and/or overdue by more than 90 days, if one or more credit lines meet the criteria for this classification.

The management of non-performing loans is the responsibility of the Credit Area, which carries out the following tasks in this area:

- monitor exposures past due and/or overdue by more than 90 days and unlikely to pay, supporting in this the consultants who are in charge of first-level controls;
- take action to restore the regular performance of exposures;
- propose to the Management or the Board of Directors the return to "performing" classification of non-performing exposures, the implementation of restructuring plans, the withdrawal of credit lines, and the classification of non-performing exposures.

Cassa Centrale Raiffeisen dell'Alto Adige pays particular attention to the active management of non-performing loans.

3.2 *Write-off of loans and receivables*

IFRS 9 requires an entity to reduce the gross carrying amount of a financial asset when it has no reasonable expectation of recovering the full amount of the asset. In such cases, an impairment or write-off of the underlying asset is required.

The gross carrying amount of a financial asset must be reduced by the amount of the impairment loss.

Financial assets are to be derecognised - in whole or in part - in the year in which the receivable is classified - in whole or in part - as irrecoverable.

In accordance with IFRS 9, an impairment loss may be recognised even before enforcement proceedings against the debtor have been fully completed. However, this generally concerns bad debts. Derecognition does not imply a waiver by the bank of its legal right to recover the claim, which is the case with debt forgiveness whereby the bank waives its right to repayment.

In order for the claim to be derecognised, there must be certain and irrefutable elements confirming the irrecoverability of the claim. The criteria applicable within Cassa Centrale Raiffeisen dell'Alto Adige were laid down in internal regulations.

3.3 *Purchased or originated credit-impaired financial assets*

Purchased or originated credit-impaired financial assets refer to exposures where the credit risk is already very high at initial recognition.

In this area, there are two different types:

(i) purchased credit impaired (PCI);

(ii) credits disbursed by the bank to a customer already classified in stage 3 (originated credit impaired – OCI). The credit lines granted under restructuring agreements pursuant to Article 182 of Bankruptcy Law are also classified as OCI, even if granted to newly acquired customers.

The identified OCI transaction will be classified as forborne non-performing if all conditions are met. If the 1-year cure period is exceeded, the transaction may be classified as forborne performing in stage 2. In connection with becoming performing, and even after the two-year probation period, the OCI transaction cannot be classified in stage 1 under any circumstances, as this classification is incompatible with the measurement based on the ECL lifetime.

Cassa Centrale Raiffeisen dell'Alto Adige started to implement a process to identify POCI when the above requirements are met.

At the end of the reporting period, Cassa Centrale Raiffeisen dell'Alto Adige had no purchased or originated credit-impaired financial assets.

3.4 Financial assets subject to commercial renegotiations and subject to forbearance measures

Forbearance measures, as defined in the supervisory regulations, are granted to a debtor that is experiencing or is about to experience difficulties in meeting its financial commitments ("financial difficulties"). Therefore, a forbearance measure exists if the bank grants a borrower a forbearance to ease its financial difficulties. The classification as a forborne exposure is applied at the credit line level.

Forborne exposures can be divided into:

(a) performing exposures subject to forbearance measures;

(b) non-performing exposures subject to forbearance measures.

Exposures subject to forbearance measures must, in addition to meeting the requirements listed below, remain in the respective category for a specific period of time (cure period and/or probation period). In this context, the general principle is that the classification of the debtor and the forborne characteristic of the credit line must coincide, so that, for example, if there is a non-performing loan subject to forbearance measures, the entire debt position must be classified as non-performing.

<u>Non-performing exposures subject to forbearance measures</u>

If an exposure is classified as non-performing, there is no doubt that a financial difficulty exists. Accordingly, a forbearance measure granted for a non-performing exposure (or for an exposure that would otherwise be classified as non-performing) is always a forbearance measure.

An exposure classified as forborne non-performing (i.e. non-performing subject to forbearance measures) must remain within this category for a cure period of at least one year.

The expected losses on non-performing loans subject to forbearance measures are determined according to the same criteria as for exposures allocated to stage 3.

<u>Performing exposures subject to forbearance measures</u>

This type of exposure must be subject to a probation period of at least two years. Non-performing exposures subject to forbearance measures that have exceeded the one-year cure period are classified as performing exposures subject to forbearance measures. However, if applicable, the entire debt exposure must be classified as performing.

If exposures previously classified as non-performing forborne exposures become 30 days past due or are again subject to forbearance measures during the two-year test period, they must be reclassified as non-performing forborne exposures.

3.5 *Prudential backstop for non-performing loans ("calendar provisioning")*

On 26 April 2019, Regulation (EU) 2019/630 of the European Parliament and of the Council amending Regulation (EU) 575/2013 with regard to minimum loss coverage on non-performing exposures was published in the Official Journal of the European Union. This regulation defined the prudential treatment under Pillar I of non-performing loans (NPLs) granted as from 26 April 2019.

This new regulation complements the supervisory provisions on non-performing exposures and provides for a specific deduction from common equity tier 1 (CET 1) capital for non-performing exposures (NPEs) whose coverage level is below the minimum requirements of the supervisory regulations.

The regulation sets out the supervisory authority's quantitative expectations for minimum levels of prudential provisioning. This level is calculated on the basis of the period since which the loan is classified as non-performing ("vintage") and the presence of any guarantees.

The term NPE ("non-performing exposure") is an extension of the term NPL ("non-performing loan") and therefore includes exposures (loans and receivables and off-statement of financial position items) classified as:

- bad loans
- unlikely to pay
- exposures past due and/or overdue by more than 90 days.

Therefore, in the context of Pillar 1, all exposures (at the individual credit line level) that originated as new transactions on or after 26 April 2019 and were subsequently classified as "non-performing" are to be considered.

Exposures incurred prior to this date are excluded from this scheme. However, if an increase in an existing loan is arranged at the level of a credit line or if the consolidation of one or more loans takes place, the minimum coverage requirements also apply to this new exposure.

Guarantees have a significant impact on the calculation of the amount of the minimum cover required. In this context, only guarantees that are identified in the schemes as eligible for credit risk mitigation (CRM) are taken into account.

The forbearance measures granted allow the bank to apply the minimum coverage ratio in force at the time of forbearance for an additional year. However, it should be noted that from the following year, the standard percentage of cover will apply if the borrower's exposure continues to be classified as non-performing despite the forbearance granted.

The reporting as at 31 December 2021 on the level of regulatory provisions did not reveal any shortfall in the coverage of Cassa Centrale Raiffeisen dell'Alto Adige's non-performing exposures (NPE) within the various time horizons. Therefore, no additional amount had to be deducted from the common equity tier 1 capital.

Part E - Information on risks and related hedging policies

Section 1 - Credit risk

A. Credit quality

A.1 Non-performing and performing loans: carrying amounts, impairment losses, trend, business distribution

A.1.1 Distribution of financial assets by portfolio and credit quality (carrying amounts)

Portfolio/Quality	Bad loans	Unlikely to pay	Past due non-performing loans	Past due performing loans	Other performing loans	**Total**
1. Financial assets measured at amortised cost	2,298	30,103	374	18,089	5,225,643	**5,276,507**
2. Financial assets measured at fair value through other comprehensive income					472,771	472,771
3. Financial assets at fair value						
4. Other financial assets mandatorily measured at fair value					132,402	132,402
5. Financial assets held for sale						
Total 31/12/2021	**2,298**	**30,103**	**374**	**18,089**	**5,830,815**	**5,881,680**
Total 31/12/2020	**3,332**	**20,362**	**1**	**12,497**	**5,720,087**	**5,756,278**

A.1.2 Distribution of financial assets by portfolio and credit quality (gross amount and carrying amount)

Portfolio/Quality	Non-performing				Performing			Total (net exposure)
	Gross exposure	Total impairment losses	Net exposure	Total partial write-offs	Gross exposure	Total impairment losses	Net exposure	
1. Financial assets measured at amortised cost	65,675	32,900	32,775	-	5,260,149	16,417	5,243,732	**5,276,507**
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	473,067	296	472,771	472,771
3. Financial assets at fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	X	X	132,402	132,402
5. Financial assets held for sale	-	-	-	-	-	-	-	-
Total 31/12/2021	**65,675**	**32,900**	**32,775**	**-**	**5,733,216**	**16,713**	**5,848,905**	**5,881,680**
Total 31/12/2020	**56,275**	**32,581**	**23,694**	**-**	**5,632,510**	**13,973**	**5,732,584**	**5,756,278**

Portfolio/Quality	Assets with a clear poor credit quality		Other assets
	Accumulated losses	Net exposure	Net exposure
1. Financial assets held for trading	-	-	1,412
2. Hedging derivatives	-	-	-
Total 31/12/2021	**-**	**-**	**1,412**
Total 31/12/2020	**-**	**-**	**1,531**

A.1.3 Distribution of financial assets by past due brackets (carrying amounts)

	Stage 1			Stage 2			Stage 3			purchased or originated credit-impaired		
Portfolios/risk stages	From 1 day to 30 days	From 30 days to 90 days	Beyond 90 days	Up to 30 days	From 30 days to 90 days	Beyond 90 days	Up to 30 days	From 30 days to 90 days	Beyond 90 days	Up to 30 days	From 30 days to 90 days	Beyond 90 days
1. Financial assets measured at amortised cost	**9,231**			**5,737**	**2,941**	**181**	**5,473**	**360**	**6,225**			
2. Financial assets measured at fair value through other comprehensive income												
3. Financial assets held for sale												
Total 31/12/2021	**9,231**			**5,737**	**2,941**	**181**	**5,473**	**360**	**6,225**			
Total 31/12/2020	**7,964**	**745**	**1,087**	**2,483**	**221**	**37**	1,623	689	8,267			

A.1.4 Financial assets, commitments to disburse funds and financial guarantees given: trend in total impairment losses and in total provisions

	Total impairment losses																			
reasons/risk stages	Assets included in stage 1					Assets included in stage 2					Assets included in stage 3				Purchased or originated credit-impaired financial assets		Total provisions on commitments to disburse funds and financial guarantees given			Total
	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment	of which: collective impairment	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment	of which: collective impairment	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment	of which: collective impairment	-	Stage 1	Stage 2	Stage 3	-
Opening total impairment losses	**7,125**	**193**			**7,318**	**6,656**				**6,656**	**32,581**			**32,581**			921	90	1,661	49,227
Increases from purchased or originated financial assets	1,833	55			1,888	459				459	2,824			2,824			475	89	290	6,025
Derecognitions other than write-offs	(571)	(21)			(592)	(204)				(204)	(2,594)			(2,594)			(175)	(21)	(34)	(3,620)
Net impairment losses for credit risk (+/-)	(740)	69			671)	1,935				1,935	2,557			2,557			(240)	(42)	(421)	3,119
Amendments to contracts without derecognition						19				19										19
Changes in the estimation method																				
Write-off											(2,495)			(2,495)						(2,495)
Other changes	293				293	(480)				(480)	**28**			28			90	84	(346)	(332)
Closing balance	**7,939**	**296**			**8,235**	8,385				**8,385**	**32,900**			**32,900**			1,071	201	1,150	51,942
Recoveries from collections on financial assets subject to write-off																				
Write-offs recognised directly in profit or loss											(82)			(82)						(82)

A.1.5 Financial assets, commitments to disburse funds and financial guarantees given: transfers between different stages of credit risk (gross and nominal amounts)

Portfolios/risk stages	Gross amounts/nominal amount					
	Transfers from stage 1 to stage 2		Transfers from stage 2 to stage 3		Transfers from stage 1 to stage 3	
	From stage 1 to stage 2	From stage 2 to stage 1	From stage 2 to stage 3	From stage 3 to stage 2	From stage 1 to stage 3	From stage 3 to stage 1
1. Financial assets measured at amortised cost	105,233	13,958	13,828	1,296	6,406	-
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	19,112	554	441	330	6	200
Total 31/12/2021	**124,345**	**14,512**	**14,268**	**1,626**	**6,412**	**200**
Total 31/12/2020	**89,580**	**25,899**	**9,763**	**-**	**17,294**	**32**

A.1.5a Loans subject to Covid-19 support measures: transfers between different stages of credit risk:

	Transfers from stage 1 to stage 2		Transfers from stage 2 to stage 3		Transfers from stage 1 to stage 3	
	From stage 1 to stage 2	From stage 2 to stage 1	From stage 2 to stage 3	From stage 3 to stage 2	From stage 1 to stage 3	From stage 3 to stage 1
A. Financial assets measured at amortised cost	**13,053**	**25**	**3,632**	**143**	**1,000**	-
A.1 GL-compliant forborne loans	3,471	-	2,464	-	-	-
A.2 existing moratorium measures that no longer comply with the GL and are not considered as forborne	-	-	-	-	-	-
A.3 other forborne loans	7,393	-	1,168	143	-	-
A.4 new loans	2,189	25	-	-	1,000	-
B. Loans measured at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**
B.1 GL-compliant forborne loans	-	-	-	-	-	-
B.2 existing moratorium measures that no longer comply with the GL and are not considered as forborne	-	-	-	-	-	-
B.2 Other forborne loans	-	-	-	-	-	-
B.3 new loans	-	-	-	-	-	-
Total 31/12/2021	**13,053**	**25**	**3,632**	**143**	**1,000**	**-**
Total 31/12/2020	**34,222**	**4,946**	**251**	**-**	**2,306**	**-**

A.1.6 On and off-statement of financial position credit exposures with banks: gross amount and carrying amount

Type of exposure/Amounts	Gross exposure					Total impairment losses and total provisions					Net exposure	Total partial write-offs*
		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
A. ON-STATEMENT OF FINANCIAL POSITION CREDIT EXPOSURES												
A.1 AT SIGHT	19,224	-	-	-	-	19	-	-	-	-	19,204	-
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	19,224	-	-	X	-	19	-	-	X	-	19,204	-
A.2 OTHER	2,588,041	2,588,041	-	-	-	2,107	2,107	-	-		2,585,934	
a) Bad loans	-	X	-	-	-	-	X	-	-	-	-	-
-of which: forbearance exposures	-	X	-	-	-	-	X	-	-	-	-	-
b) Unlikely to pay	-	X	-	-	-	-	X	-	-	-	-	-
-of which: forbearance exposures	-	X	-	-	-	-	X	-	-	-	-	-
c) Past due non-performing loans	-	X	-	-	-	-	X	-	-	-	-	-
-of which: forbearance exposures	-	X	-	-	-	-	X	-	-	-	-	-
d) Past due performing loans	-	-	-	X	-	-	-	-	X	-	-	-
-of which: forbearance exposures	-	-	-	X	-	-	-	-	X	-	-	-
e) Other performing loans	2,588,041	2,588,041	-	X	-	2,107	2,107	-	X	-	2,585,934	-
-of which: forbearance exposures	-	-	-	X	-	-	-	-	X	-	-	-
TOTAL (A)	2,607,265	2,588,041	-	-	-	2,127	2,107	-	-	-	**2,605,139**	
B. OFF-STATEMENT OF FINANCIAL POSITION CREDIT EXPOSURES	-	-	-	-	-	-	-	-	-	-	-	-
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	745,768	743,603	-	X	-	306	306	-	X	-	745,461	-
TOTAL (B)	**745,768**	**743,603**	**-**	**-**	**-**	**306**	**306-**	**-**		**-**	**745,461**	
TOTAL (A+B)	**3,353,033**	**3,331,644**	**-**	**-**	**-**	**2,433**	**2,413 -**	**-**		**-**	**3,350,600**	

A.1.7 On and off-statement of financial position credit exposures with customers: gross amount and carrying amount

Type of exposure/Amounts	Gross exposure					Total impairment losses and total provisions					Net exposure	Total partial write-offs*
		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
A. ON-STATEMENT OF FINANCIAL POSITION CREDIT EXPOSURES												
a) Bad loans	11,836	X	-	11,836	-	9,538	X	-	9,538	-	2,298	-
-of which: forbearance exposures	1,449	X	-	1,449	-	1,199	X	-	1,199	-	250	-
b) Unlikely to pay	53,386	X	-	53,386	-	23,283	X	-	23,283	-	30,103	-
-of which: forbearance exposures	27,885	X	-	27,885	-	11,165	X	-	11,165	-	16,720	-
c) Past due non-performing loans	453	X	-	453	-	79	X	-	79	-	374	-
-of which: forbearance exposures	426	X	-	426	-	76	X	-	76	-	350	-
d) Past due performing loans	18,418	9,310	9,107	X	-	328	79	249	X	-	18,089	-
-of which: forbearance exposures	3,139	-	3,139	X	-	159	-	159	X	-	2,980	-
e) Other performing loans	3,070,793	2,850,350	219,940	X	-	14,278	6,142	8,136	X	-	3,056,515	-
-of which: forbearance exposures	94,051	-	94,051	X	-	3,480	-	3,480	X	-	90,572	-
TOTAL (A)	**3,154,886**	**2,859,660**	**229,047**	**65,675**	**-**	**47,506**	**6,221**	**8,385**	**32,900**	**-**	**3,107,380**	**-**
B. OFF-STATEMENT OF FINANCIAL POSITION CREDIT EXPOSURES	-	-	-	-	-	-	-	-	-	-	-	-
a) Non-performing	8,332	X	-	8,332	-	1,150	X	-	1,150	-	7,181	-
b) Performing	794,836	738,544	55,947	X	-	966	763	203	X	-	793,870	-
TOTAL (B)	**803,167**	**738,544**	**55,947**	8,332	**-**	**2,116**	763	203	1,150	**-**	**801,051**	**-**
TOTAL (A+B)	**3,958,053**	**3,598,204**	**284,994**	**74,007**	**-**	**49,622**	**6,984**	**8,588**	**34,050**	**-**	**3,908,431**	**-**

A.1.7a On-statement of financial position credit exposures with customers subject to Covid-19 support measures: gross amount and carrying amount

Type of exposure/Amounts	Gross exposure					Total impairment losses and total provisions					Net exposure	Total partial write-offs*
		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
A. Bad loans	-	-	-	-	-	-	-	-	-	-	-	-
a) GL-compliant forborne loans	-	-	-	-	-	-	-	-	-	-	-	-
b) existing moratorium measures that no longer comply with the GL and are not considered as forborne	-	-	-	-	-	-	-	-	-	-	-	-
c) other forborne loans	-	-	-	-	-	-	-	-	-	-	-	-
d) new loans												
B. Unlikely to pay loans	7,801	-	-	7,801	-	(2,078)	-	-	(2,078)	-	5,723	-
a) GL-compliant forborne loans	5,532	-	-	5,532	-	(1,665)	-	-	(1,665)	-	3,867	-
b) existing moratorium measures that no longer comply with the GL and are not considered as forborne	-	-	-	-	-	-	-	-	-	-	-	-
c) other forborne loans	1,269	-	-	1,269	-	(268)	-	-	(268)	-	1,001	-
d) new loans	1,000	-	-	1,000	-	(145)	-	-	(145)	-	855	-
C. Past due non-performing loans	-	-	-	-	-	-	-	-	-	-	-	-
a) GL-compliant forborne loans	-	-	-	-	-	-	-	-	-	-	-	-
b) existing moratorium measures that no longer comply with the GL and are not considered as forborne	-	-	-	-	-	-	-	-	-	-	-	-
c) other forborne loans	-	-	-	-	-	-	-	-	-	-	-	-
d) new loans												
D. Past due performing loans	479	479				**(1)**	**(1)**				478	
a) GL-compliant forborne loans	-	-	-	-	-	-	-	-	-	-	-	-
b) existing moratorium measures that no longer comply with the GL and are not considered as forborne	-	-	-	-	-	-		-	-	-	-	-
c) other forborne loans	-	-	-	-	-	-	-	-	-	-	-	-
d) new loans	479	479	-	-	-	-	-	-	-	-	-	-
E. Performing loans	241,560	193,965	47,595	-	-	**(1)**	**(1)**	-	-	-	478	-
a) GL-compliant forborne loans	155,195	126,968	28,227	-	-	(4,068)	(550)	(3,175)	-	-	237,492	-
b) existing moratorium measures that no longer comply with the GL and are not considered as forborne	-	-	-	-	-	(3,419)	(375)	(2,702)	-	-	151,776	-
c) other forborne loans	13,745	-	13,745	-	-	(316)	-	(316)	-	-	13,429	-
d) new loans	72,620	66,997	5,623	-	-	(333)	(176)	(157)	-	-	72,287	-
Total (A+B+C+D+E)	**249,840**	**194,444**	**47,595**	**7,801**	**-**	**(6,146)**	**(551)**	**(3,175)**	**(2,078)**	**-**	**243,693**	**-**

A.1.9 On-statement of financial position credit exposures with customers: gross non-performing loans

Causes/Quality	Bad loans	Unlikely to pay	Past due non-performing loans
A. Opening gross exposure	**18,376**	**37,898**	**1**
-of which: exposures transferred and not cancelled			
B. Increases	**1,327**	**32,766**	**1,149**
B.1 transfers from performing loans		22,229	1,148
B.2 transfers from purchased or originated credit-impaired financial assets			
B.3 transfers from other categories of non-performing loans	1,296	653	
B.4 amendments to contracts without derecognition			
B.5 other increases	31	9,884	1
C. Decreases	**7,867**	**17,278**	**697**
C.1 transfers to performing loans		1,145	1
C.2 write-off	986		
C.3 collections	4,713	14,284	43
C.4 gains on sales	109		
C.5 losses on sale	2,059		
C.6 transfers to other categories of non-performing loans		1,296	653
C.7 amendments to contracts without derecognition			
C.8 other decreases		553	0
D. Closing gross exposure	**11,836**	**53,386**	**453**
-of which: exposures transferred and not cancelled			

A.1.9 bis On-statement of financial position credit exposures with customers: gross forborne exposures broken down by credit quality

Causes/Quality	Non-performing forbearance exposures	Other forbearance exposures
A. Opening gross exposure	**1,506**	**56,636**
-of which: exposures transferred and not cancelled		
B. Increases		**66,295**
B.1 transfers from performing non-forborne exposures	-	**66,295**
B.2 transfers from performing forborne exposures	-	-
B.3 transfers from non-performing forborne exposures	-	300
B.4 transfers from non-performing non-forborne exposures	-	-
B.5 other increases	-	3,148
C. Decreases	**57**	**24,639**
C.1 transfers to performing non-forborne exposures	-	3,173
C.2 transfers to performing forborne exposures	-	-
C.3 transfers to non-performing forborne exposures	-	11,723
C.4 write-off	-	-
C.5 collections	57	9,139
C.6 gains on sales	-	-
C.7 losses on sale	-	439
C.8 other decreases	-	166
D. Closing gross exposure	**1,449**	**98,292**
-of which: exposures transferred and not cancelled	-	-

A.1.11 On-statement of financial position non-performing credit exposures with customers: total impairment losses

Causes/Categories	Bad loans		Unlikely to pay		Past due non-performing loans	
	Total	of which: forbearance exposures	Total	of which: forbearance exposures	Total	of which: forbearance exposures
A. Opening total impairment losses -of which: exposures transferred and not cancelled	**15,045**	**1,254**	**17,536**	**9,525**	**0**	**-**
B. Increases	**1,230**	**-**	**14,105**	**6,499**	**104**	**92**
B.1 impairment losses from purchased or originated credit-impaired financial assets	-	-	-	-	-	-
B.2 other impairment losses	362	-	11,562	4,062	3	-
B.3 losses on sale	-	-	-	-	-	-
B.4 transfers from other categories of non-performing loans	868	-	2,006	1,998	-	-
B.5 amendments to contracts without derecognition	-	-	-	-	-	-
B.6 other increases	-	-	537	439	101	92
C. Decreases	**6,737**	**55**	**8,358**	**4,859**	**25**	**16**
C.1 reversals of impairment losses due to valuation	1,569	55	2,945	2,301	0	-
C.2 reversals of impairment losses due to collections	2,035	-	380	215	0	-
C.3 gains on sale	87	-	-	-	-	-
C.4 write-off	986	-	1,591	1,591	-	
C.5 transfers to other categories of non-performing loans	-	-	2,855	567	24	16
C.6 amendments to contracts without derecognition	-	-	-	-	-	-
C.7 other decreases	2,059	-	587	184	0	-
D. Closing total impairment losses -of which: exposures transferred and not cancelled	**9,538**	**1,199**	**23,283**	**11,165**	**79**	**76**

A.2 Classification of exposures based on internal and external ratings

The production structure in the Autonomous Province of Bolzano is characterised by a large number of small and medium-sized enterprises, which are mainly financed by the local banking system and by their own resources.

At present, few companies have an external rating.

A.3 Distribution of secured credit exposures by type of guarantee

A.3.1 On and off-statement of financial position secured credit exposures with banks

			Collaterals (1)				Personal guarantees (2)									
							Credit derivatives					Endorsement credits				
								Other derivatives								
	Gross exposure	Net exposure	Property - mortgages	Properties - Finance leases	Securities	Other collaterals	CLN	Public administrations	Banks	Other financial companies	Other parties	Central counterparties	Banks	Other financial companies	Other parties	**Total (1)+(2)**
1. On-statement of financial position secured credit exposures	2,462,331	2,460,326	-	-	2,255,229	202,974	-	-	-	-	-	-	-	1,981	142	**2,460,326**
1.1 fully secured	2,462,331	2,460,326	-	-	2,255,229	202,974	-	-	-	-	-	-	-	1,981	142	**2,460,326**
-of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
1.2 partially secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
-of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
2. Off-statement of financial position secured credit exposures:	514	511	-	-	-	-	-	-	-	-	-	-	-	-	514	**514**
2.1 fully secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
-of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
2.2 partially secured	514	511	-	-	-	-	-	-	-	-	-	-	-	-	514	**514**
-of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A.3.2 On and off-statement of financial position secured credit exposures with customers

			Collaterals (1)				Personal guarantees (2)									
							Credit derivatives					Endorsement credits				
								Other derivatives								
	Gross exposure	Net exposure	Property - mortgages	-Properties - Finance leases	Securities	Other collaterals	CLN	Public administrations	Banks	Other financial companies	Other parties	Central counterparties	Banks	Other financial companies	Other parties	**Total (1)+(2)**
1. On-statement of financial position secured credit exposures	1,501,493	1,465,264	608,394	316,365	2,142	156,015	-	-	-	-	-	120,031	17,309	10,293	135,887	**1,366,435**
1.1 fully secured	1,266,670	1,235,028	582,116	306,509	2,142	146,633	-	-	-	-	-	39,681	9,869	8,604	119,243	1,214,797
-of which non-performing	48,043	27,000	17,185	4,382	-	2,640	-	-	-	-	-	-	-	566	2,227	27,000
1.2 partially secured	234,823	230,235	26,278	9,855	-	9,382	-	-	-	-	-	80,350	7,440	1,689	16,644	151,638
-of which non-performing	6,442	3,276	1,680	-	-	-	-	-	-	-	-	871	-	39	10	2,600
2. Off-statement of financial position secured credit exposures:	194,115	193,466	-	-	-	4,264	-	-	-	-	-	743	2,311	18,494	123,924	**149,737**
2.1 fully secured	56,117	55,797	-	-	-	4,006	-	-	-	-	-	20	154	7,418	44,185	55,784
-of which non-performing	758	518	-	-	-	16	-	-	-	-	-	-	0	-	502	518
2.2 partially secured	137,998	137,669	-	-	-	258	-	-	-	-	-	723	2,157	11,076	79,739	93,953
-of which non-performing	1,299	1,225	-	-	-	-	-	-	-	-	-	-	119	15	916	1,051

B. Distribution and concentration of credit exposures

B.1 Distribution of on and off-statement of financial position credit exposures with customers by business segment

Exposures/Counterparties	Public administrations		Financial companies		Financial companies (of which: insurance companies)		Non-financial companies		Households	
	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses
A. On-statement of financial position credit exposures										
A.1 Bad loans							2,201	9,468	97	70
-of which: forbearance exposures							250	1,199		
A.2 Unlikely to pay			504	955			25,904	21,398	3,695	930
-of which: forbearance exposures			318	934			14,070	9,658	2,332	573
A.3 Past due non-performing loans										
-of which: forbearance exposures									350	76
A.4 Performing loans	1,349,958	1,036	77,873	655			1,462,944	11,453	183,829	1,462
-of which: forbearance exposures			4,783	107			41,234	2,157	8,507	303
Total A	**1,349,958**	**1,036**	**78,378**	**1,610**	**-**	**-**	**1,491,072**	**42,323**	**187,972**	**2,538**
B. Off-statement of financial position credit exposures										
B.1 Non-performing loans							7,142	1,149	40	1
B.2 Performing loans	6,042	1	23,831	24			743,490	913	20,506	27
Total B	6,042	1	23,831	24	-	-	750,630	2,062	20,546	28
TOTAL (A+B) (2021)	1,356,000	1,037	102,209	1,634	-	-	2,241,702	44,385	208,518	2,566
TOTAL (A+B) (2020)	1,318,761	659	116,544	4,133	-	-	2,151,755	41,264	151,420	1,629

B.4 Large exposures

Description	31/12/2021	31/12/2020
a) Amount (carrying amount)	5,515,327	4,444,050
b) Amount (weighted amount)	159,289	242,093
c) Number	33	31

The breakdown of major risks is set below:

a) Banks: 27 (of which 26 Raiffeisen banks)
b) Asset management company: 1
c) Countries: 4
d) Customers: 1

Section 2 - Market risk

In 2021, the Covid-19 pandemic did not have a significant impact on the interest rate and price risk of Cassa Centrale Raiffeisen dell'Alto Adige.

2.1 Interest rate risk and price risk - Regulatory trading book

According to the supervisory provisions, banks with a trading portfolio of less than 5% of total assets and a market value of less than € 15 million in absolute terms are not required to report market risks.

As at 31 December 2021, the Cassa Centrale Raiffeisen dell'Alto Adige held a trading portfolio that did not exceed the above-mentioned limits. At the end of the reporting period, financial assets and financial derivatives of € 162,486 thousand were recorded in the trading portfolio of Cassa Centrale Raiffeisen dell'Alto Adige.

2.2 Interest rate risk and price risk - Banking book

Qualitative information

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

Interest rate risk in the banking book (IRRBB) is the current and future risk of adverse effects on a bank's earnings and economic value arising from adverse changes in interest rates and affecting financial instruments sensitive to those rates. This category includes gap risk, basis risk and option risk.

Interest rate risk management is the responsibility of the Finance Area.

The identification of interest rate risk in the banking book is carried out by the Risk Management function, also with the support of the corporate functions involved in each operational process. Interest rate risk is identified:

- as part of risk monitoring (identification of changes in risk and/or exceeding of predefined parameters);
- as part of the risk analyses carried out annually for the Risk Management function's annual report, for the RAF and ICAAP (identification of new risks or risks that have changed, also with a view to the future);
- as part of occasional analyses carried out when specific risk situations arise (identification of new risks, risks that have changed or have not been correctly assessed up to that point, possibly also with a view to the future).

Bank of Italy Circular no. 285/13 and the EBA/GL/2018/02 guidelines of 19 July 2018 require banks to use at least one profit-based measure and at least one economic value-based measure for measuring and monitoring IRRBB, which together capture all components of IRRBB.

Methods based on economic value make it possible to measure the impact of changes in market rates on financial instruments, liabilities and off-statement of financial position exposures that are sensitive to such changes. Therefore, these methods assess the impact of changes in market rates on the net value of the bank's assets.

On the other hand, profit-based methods highlight the impact of changes in market rates on the bank's future cash flows.

Accordingly, the risk management function of Cassa Centrale Raiffeisen dell'Alto Adige uses two corresponding models to measure the interest rate risk of the banking book:

- model for measuring the potential change in economic value (EV);
- model for measuring the potential change in net interest income (NII).

The first model is used to measure the potential change in economic value and, at the same time, the internal capital (or capital at risk) under Pillar 2 for interest rate risk on the banking book.

For a comprehensive assessment of the interest rate risk in the banking book, Risk Management considers the following factors, both in terms of economic value and profit:

- the current and future risk position;
- the change in the risk position or net interest margin over time, also considering their future development;
- compliance with current internal and external regulations.

In order to determine the capital at risk pursuant to the supervisory provisions (with reference to stress scenarios), in addition to the standard stress scenario involving a parallel shift of +/-200 basis points, a number of other scenarios are considered (pursuant to Bank of Italy Circular no. 285/13, in which reference is made to the relevant ABE guidelines):

1. parallel upward shock;
2. parallel downward shock;
3. upward shock in short-term interest rates;
4. downward shock in short-term interest rates;
5. steepener shock with an increase in the slope of the rate curve (fall in short-term rates and rise in long-term interest rates);
6. flattener shock with flattening of the slope of the rate curve (rise in short-term rates and fall in long-term interest rates);

Moreover, Cassa Centrale Raiffeisen dell'Alto Adige uses two other scenarios:

7. upward shock in long-term interest rates;
8. downward shock in long-term interest rates.

The Risk Management function performs a quarterly assessment of the interest rate risk using the two models mentioned above and referring to normal and stress scenarios. Moreover, as part of the ICAAP/ILAAP processes, interest rate risk is measured with a view to the future, with reference to normal and stress scenarios.

In addition to the models observed so far, the risk management function of Cassa Centrale Raiffeisen dell'Alto Adige uses other indicators and tools to analyse and assess interest rate risk (e.g. bucket sensitivity).

The interest rate risk under the EV model is limited by RAF indicators (EV risk under stressed conditions (taking into account all stress scenarios mentioned above) to stressed Tier 1 capital and EV risk following the standard supervisory shock of +/-200 basis points to stressed capital).

The interest rate risk measured as part of the EV model with reference to normal scenarios (based on a 6-year cycle, taking into account the non-negativity condition for customer exposures and the minimum variable value for the remaining exposures, as established by the

EBA in the aforementioned guidelines) amounted to € 13,699 thousand as at 31 December 2021, taking into account the 99th percentile (in anticipation of an increase in rates), i.e. 3.23% of capital requirements according to supervisory regulations.

The corresponding risk of change in the net interest margin (NII) amounts to € 1,575 thousand in the base case scenario.

2.3 Exchange rate risk

Qualitative information

A. General aspects, management processes and measurement methods for currency risk

The exchange rate risk is measured using the model specifically prescribed by supervisory regulations. Its measurement is based on the calculation of the "net foreign exchange position", i.e. the balance of all assets and liabilities (on-statement of financial position and off-statement of financial position) relating to each currency.

Due to its rather limited foreign currency operations, Cassa Centrale Raiffeisen dell'Alto Adige is only marginally exposed to the exchange rate risk. The main sources of exchange rate risk are financing and funding in foreign currencies and trading in foreign banknotes.

Moreover, currency positions held indirectly by the Cassa Centrale Raiffeisen dell'Alto Adige through the OEIC units are also included in the net foreign currency position and are recorded in the amount of the maximum foreign currency limit set in the respective investment mandates.

In view of the modest foreign exchange business, Cassa Centrale Raiffeisen dell'Alto Adige does not carry out any kind of stress test with regard to this risk.

Cassa Centrale Raiffeisen dell'Alto Adige constantly endeavours to limit the exchange rate risk. Cassa Centrale Raiffeisen dell'Alto Adige monitors the development of exchange rate risk on a quarterly basis using a risk table.

B. Exchange rate risk hedging

The exchange rate risk is hedged by offsetting the currency positions held as much as possible.

Section 2 - Market risk

2.1 INTEREST RATE RISK AND PRICE RISK - REGULATORY TRADING BOOK

Quantitative information

1. Regulatory trading book: distribution by residual maturity (by re-pricing date) of on-statement of financial position financial assets and liabilities and financial derivatives

Currency €

Type/Residual duration	at sight	up to 3 months	from 3 months to 6 months	from 6 months to 1 year	from 1 year to 5 years	from 5 years to 10 years	beyond 10 years	unspecified maturity
1. On-statement of financial position assets	-	-	-	-	-	-	-	3,755
1.1 Debt securities	-	-	-	-	-	-	-	193
- with early repayment option	-	-	-	-	-	-	-	193
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	3,562
2. On-statement of financial position liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities								
3. Financial derivatives	**7,686**	**61,373**	**13,050**	**2,917**	**22,486**	**38,638**	**12,581**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	7,686	61,373	13,050	2,917	22,486	38,638	12,581	-
- Options	0	0	1	4	125	6	-	-
+ long positions	0	0	1	2	63	3	-	-
+ short positions	0	0	1	2	63	3	-	-
-Other derivatives	7,685	61,372	13,049	2,913	22,361	38,632	12,581	-
+ long positions	3,843	30,686	6,852	1,448	11,108	19,213	6,148	-
+ short positions	3,843	30,686	6,197	1,465	11,254	19,419	6,434	-

3. Regulatory trading book: internal models and other sensitivity analysis methods

3.1 End-of-period VAR, maximum, minimum and average values

Value at Risk	**VaR amount in €**
Max (VaR)	817,902
Min (VaR)	279,422
Avg (VaR)	470,916

3.2 VAR distribution in 2021

Date	VaR (99%/1 day) in €
1/2021	775,339
2/2021	736,786
3/2021	480,683
4/2021	395,576
5/2021	365,601
6/2021	318,287
7/2021	323,852
8/2021	295,176
9/2021	291,112
10/2021	817,902
11/2021	279,422
12/2021	282,887

3.3 Effects of a change in rates of +/-100 basis points on the regulatory trading book:

	Increase by 100 basis points		**Decrease by 100 basis points**	
	change	**%**	**change**	**%**
Net interest income	55	0.13%	-	0.00%
Profit for the year	38	0.09%	-	0.00%
Equity	38	0.01%	-	0.00%

Cassa Centrale Raiffeisen dell'Alto Adige has an integrated asset and liability management system. The consequences of a change in rates of +/-100 basis points were calculated by taking the market rate curve as at 31 December 2021 as a reference (parallel shifts).

2.2 INTEREST RATE RISK AND PRICE RISK - BANKING BOOK

1. Banking book: distribution by residual maturity (by re-pricing date) of financial assets and liabilities

Quantitative information

Currency €

Type/Residual duration	at sight	up to 3 months	from 3 months to 6 months	from 6 months to 1 year	from 1 year to 5 years	from 5 years to 10 years	beyond 10 years	unspecified maturity
1. On-statement of financial position assets	**315,765**	**926,348**	**786,906**	**489,702**	**2,528,325**	**582,036**	**36,409**	**-**
1.1 Debt securities	-	428,432	252,551	-	156,996	510,351	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	428,432	252,551	-	156,996	510,351	-	-
1.2 Loans with banks	-	135,682	-	189,320	2,250,297	-	-	-
1.3 Loans with customers	315,765	362,234	534,355	300,381	121,032	71,685	36,409	-
- c/a	58,716	44,853	-	8	126	-	0	-
- other loans	257,048	317,381	534,355	300,374	120,906	71,685	36,409	-
- with early repayment option	166,885	178,567	374,443	296,972	98,474	50,848	25,186	-
- other	90,164	138,814	159,912	3,402	22,432	20,837	11,223	-
2. On-statement of financial position liabilities	**1,260,801**	**722,118**	**110,935**	**194,496**	**4,035,257**	**23,585**	**-**	**-**
2.1 Due to customers	750,478	272,351	40,711	5,216	16,738	-	-	-
- c/a	704,149	194,742	-	-	-	-	-	-
- other payables	46,330	77,609	40,711	5,216	16,738	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	46,330	77,609	40,711	5,216	16,738	-	-	-
2.2 Due to banks	510,323	405,851	4,997	189,280	3,323,441	2,001	-	-
- c/a	133,130	-	-	-	-	-	-	-
- other payables	377,193	405,851	4,997	189,280	3,323,441	2,001	-	-
2.3 Debt securities	-	43,916	65,226	-	695,078	21,583	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	43,916	65,226	-	695,078	21,583	-	-
2.3 Other liabilities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**6,998**	**35,971**	**9,431**	**7,364**	**15,477**	**5,973**	**185**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	**6,998**	**35,971**	**9,431**	**7,364**	**15,477**	**5,973**	**185**	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
-Other derivatives	**6,998**	**35,971**	**9,431**	**7,364**	**15,477**	**5,973**	**185**	-
+ long positions	**6,998**	8,683	6,941	5,700	-	-	-	-
+ short positions	-	27,288	2,490	1,664	**15,477**	**5,973**	**185**	-
4. Other off-statement of financial position transactions	**87,797**	**53,135**	**1,720**	-	-	-	-	-
+ long positions	16,371	**53,135**	**1,720**	-	-	-	-	-
+ short positions	71,426	-	-	-	-	-	-	-

2.1 Effects of a change in rates of +/-100 basis points on the banking book:

	Increase by 100 basis points		Decrease by 100 basis points	
	change	**%**	**change**	**%**
Net interest income	10,106	23.71%	(48)	-0.11%
Profit for the year	6,857	16.04%	(33)	-0.08%
Equity	(20,359)	-5.16%	29,356	7.44%

Cassa Centrale Raiffeisen dell'Alto Adige has an integrated asset and liability management system. The consequences of a change in rates of +/-100 basis points were calculated by taking the market rate curve as at 31 December 2021 as a reference (parallel shifts).

2.2 VAR distribution in 2021

Value at Risk	VaR amount in €
Max (VaR)	16,260,834
Min (VaR)	2,959,232
Avg (VaR)	7,080,192

2.3 CURRENCY RISK

Quantitative information

1. Distribution of assets, liabilities and derivatives by currency

Items	Currencies					
	US dollars	Sterling	Yen	Canadian dollars	Swiss francs	Other currencies
A. Financial assets	**2,341**	**0**	**-**	**-**	**-**	**-**
A.1 Debt securities	-	-	-	-	-	-
A.2 Equity instruments	-	-	-	-	-	-
A.3 Loans with banks	2,123	-	-	-	-	-
A.4 Loans with customers	218	0	-	-	-	-
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**2,658**	**922**	**31**	**244**	**12,455**	**158**
C. Financial liabilities	**(13,004)**	**(936)**	**(12)**	**(226)**	**(15,703)**	**(89)**
C.1 Due to banks	(11,969)	(798)	(12)	(226)	(14,947)	(65)
C.2 Due to customers	(1,035)	(138)	-	-	(755)	(24)
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	-	-	-	-	-	-
E. Financial derivatives	**(13,196)**	**(6)**	**(793)**	**(1)**	**(3,934)**	**(0)**
- Options	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-
-Other derivatives	(13,196)	(6)	(793)	(1)	(3,934)	(0)
+ long positions	(11,265)	-	(387)	-	(3,617)	-
+ short positions	(1,931)	(6)	(406)	(1)	(317)	(0)
Total assets	**16,264**	**922**	**417**	**244**	**16,073**	**158**
Total liabilities	**(14,936)**	**(942)**	**(418)**	**(227)**	**(16,020)**	**(89)**
Difference (+/-)	**1,328**	**(20)**	**(1)**	**16**	**53**	**68**

Section 3 - Derivative instruments and hedging policies

3.1 Hedge accounting

Qualitative information

A. Fair value hedges

As at 31 December 2021, Cassa Centrale Raiffeisen dell'Alto Adige carried out specific fair value hedging activities (micro hedging).

Hedging is used to immunise against changes in the fair value of deposits and loans caused by changes in the interest rate curve thereby stabilising the interest margin.

The main type of hedging instrument used by Cassa Centrale Raiffeisen dell'Alto Adige is the interest rate swap (IRS) derivative.

B. Cash flow hedges

The Cassa Centrale Raiffeisen dell'Alto Adige does not engage in cash flow hedges, i.e. hedges against exposure to variations in cash flows associated with variable-rate financial instruments.

Section 3 - Derivative instruments and hedging policies

3.1 Trading derivative instruments

A. Financial derivatives

A.1 Trading financial derivatives: period-end notional values

Underlying assets/Types of derivatives	Total 2021				Total 2020			
	Over the counter				Over the counter			
	Central counterparties	Without central counterparties		Organised markets	Central counterparties	Without central counterparties		Organised markets
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Debt securities and interest rates	**-**	**-**	**108,052**	**-**	**-**	**-**	**72,697**	**-**
a) Options	-	-	28,755	-	-	-	35,030	-
b) swaps	-	-	79,297	-	-	-	37,667	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity instruments and share indices	-	-	-	-	-	-	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Currencies and gold	**-**	**-**	**15,997**	**-**	**-**	**-**	**39,328**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	15,700	-	-	-	24,980	-
c) Forwards	-	-	297	-	-	-	14,348	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	-	-	-	-	-	-	-	-
5. Other	-	-	-	-	-	-	-	-
Total	**-**	**-**	**124,049**	**-**	**-**	**-**	**112,025**	**-**

A.2 Trading financial derivatives: gross positive and negative fair value – breakdown by product

Type of derivatives	Total 2021				Total 2020			
	Over the counter				Over the counter			
	Central counterparties	Without central counterparties				Without central counterparties		Organised markets
		With netting agreements	Without netting agreements	Organised markets	Central counterparties	With netting agreements	Without netting agreements	
1. Positive fair value	-	-	-	-	-	-	-	-
a) Options	-	-	10	-	-	-	0	-
b) Interest rate swaps	-	-	1,265	-	-	-	1,305	-
c) Cross currency swaps	-	-	138	-	-	-	91	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	135	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**-**	**1,412**	**-**	**-**	**-**	**1,531**	**-**
2. Negative fair value	-	-	-	-	-	-	-	-
a) Options	-	-	10	-	-	-	-	-
b) Interest rate swaps	-	-	1,060	-	-	-	1,227	-
c) Cross currency swaps	-	-	39	-	-	-	217	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	19	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**-**	**1,128**	**-**	**-**	**-**	**1,444**	**-**

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

Underlying assets	Governments and central banks	Banks	Other financial companies	Other parties
Contracts that are not netting agreements	-	-	-	-
1) Debt securities and interest rates	-	-	-	-
- notional amount	-	89,665	-	18,387
- positive fair value	-	929	-	345
- negative fair value	-	1,118	-	10
2) Equity instruments and share indices	-	-	-	-
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold	-	-	-	-
- notional amount	-	15,700	-	297
- positive fair value	-	138	-	-
- negative fair value	-	39	-	19
4) Commodities	-	-	-	-
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other	-	-	-	-
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
Contracts included in netting agreements	-	-	-	-
1) Debt securities and interest rates	-	-	-	-
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Equity instruments and share indices	-	-	-	-
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold	-	-	-	-
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Commodities	-	-	-	-
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other	-	-	-	-
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual maturity of OTC trading financial derivatives: notional values

Underlying/Residual life	Up to 1 year	From 1 year to 5 years	Beyond 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	5,815	34,176	68,062	108,052
A.2 Financial derivatives on equity instruments and share indices	-	-	-	-
A.3 Financial derivatives on currencies and gold	15,997	-	-	15,997
A.4 Financial derivatives on commodities	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total 31/12/2021	**21,812**	**34,176**	**68,062**	**12,049**
Total 31/12/2020	**43,263**	**15,033**	**53,729**	**112,025**

Section 3 - Derivative instruments and hedging policies

3.2 Hedge accounting

Quantitative information

A. Hedging derivatives

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

Type of derivatives	Total 2021				Total 2020			
	Over the counter				Over the counter			
	Central counterparties	Without central counterparties		Organised markets	Central counterparties	Without central counterparties		Organised markets
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Debt securities and interest rates	-	-	**24,022**	**-**	**-**	**-**	**27,474**	-
a) Options	-	-	-	-	-	-	-	-
b) swaps	-	-	24,022	-	-	-	27,474	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity instruments and share indices	-	-	-	-	-	-	-	-
a) Options	-	-	-	-	-	-	-	-
b) swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Currencies and gold	-	-	-	-	-	-	-	-
a) Options	-	-	-	-	-	-	-	-
b) swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	-	-	-	-	-	-	-	-
5. Other	-	-	-	-	-	-	-	-
Total	-	-	**24,022**	-	-	-	**27,474**	-

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

Types of derivatives	Negative and positive fair value								Change in the value used for recognising the ineffectiveness of the hedge	
	Total 2021				Total 2020					
	Over the counter				Over the counter					
		Without central counterparties				Without central counterparties				
	Central counterparties	With netting agreements	Without netting agreements	Organised markets	Central counterparties	With netting agreements	Without netting agreements	Organised markets	Total 2021	Total 2020
1. Positive fair value -	-	-	-	-	-	-	-	-	-	-
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	-	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
2. Negative fair value	**-**	**-**	**1,184**	**-**	**-**	**-**	**2,208**	**-**	**1,184**	**2,208**
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	-	1,184	-	-	-	2,208	-	1,184	2,208
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**1,184**	**-**	**-**	**-**	**2,208**	**-**	**1,184**	**2,208**

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

Underlying assets	Central counterparties	Banks	Other financial companies	Other parties
Contracts that are not netting agreements	-	-	-	-
1) Debt securities and interest rates	-	-	-	-
- notional amount	X	24,022	-	-
- positive fair value	X	-	-	-
- negative fair value	X	1,184	-	-
2) Equity instruments and share indices		-	-	-
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) Currencies and gold		-	-	-
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
4) Commodities		-	-	-
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Other		-	-	-
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts included in netting agreements	-	-	-	-
1) Debt securities and interest rates	-	-	-	-
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Equity instruments and share indices	-	-	-	-
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold	-	-	-	-
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Commodities	-	-	-	-
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other	-	-	-	-
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual maturity of OTC hedging financial derivatives: notional values

Underlying/Residual life	Up to 1 year	From 1 year to 5 years	Beyond 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	2,387	15,477	6,158	24,022
A.2 Financial derivatives on equity instruments and share indices	-	-	-	-
A.3 Financial derivatives on currencies and gold	-	-	-	-
A.4 Financial derivatives on commodities	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total 2021	**2,387**	**15,477**	**6,158**	**24,022**
Total 2020	**2,224**	**16,576**	**8,675**	**27,474**

D. Hedged instruments

D.1 Fair value hedges

			Specific hedging			
	Specific hedging: carrying amount	**Specific hedging - net positions: carrying amount of assets and liabilities (before**	**Cumulative changes in fair value of the hedged instrument**	**Termination of hedging: residual cumulative changes in fair value**	**Change in the value used for recognising the ineffectiveness of the hedge**	**Macro hedging: carrying amount**
A. ASSETS						
1. Financial assets measured at fair value through other comprehensive income - hedging of:						
1.1 Debt securities and interest rates	-	-	-	-	-	X
1.2 Equity instruments and share indices	-	-	-	-	-	X
1.3 Currencies and gold	-	-	-	-	-	X
1.4 Loans and receivables	26,354	-	3,144	317	-	X
1.5 Other	-	-	-	-	-	X
2. Financial assets measured at amortised cost – hedging of:						
1.1 Debt securities and interest rates	-	-	-	-	-	-
1.2 Equity instruments and share indices	-	-	-	-	-	X
1.3 Currencies and gold	-	-	-	-	-	X
1.4 Loans and receivables	-	-	-	-	-	X
1.5 Other	-	-	-	-	-	X
Total 2021	**26,354**	**-**	**3,144**	**317**		**X**
B. LIABILITIES						
1. Financial liabilities measured at amortised cost - hedging of:						
1.1 Debt securities and interest rates	-	-	-	-	-	X
1.2 Currencies and gold	-	-	-	-	-	X
1.3 Other	-	-	-	-	-	X
Total 2021	-	-	-	-	-	-

Section 4 - Liquidity risk

Qualitative information

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

The liquidity situation of Cassa Centrale Raiffeisen dell'Alto Adige improved during the Covid-19 crisis. The Bank recognises the need to monitor its liquidity situation on an ongoing basis, in particular as the various support measures come to an end and in the event of a sustained slowdown in economic activity. In the financial year 2021, Cassa Centrale Raiffeisen dell'Alto Adige organised itself in order to be able to access the ECB's refinancing operations as the leading bank of the TLTRO III group. In parallel, a further bond issue was prepared and carried out in the international capital markets.

Risk definition and identification, risk factors related to sources of liquidity risk

Liquidity risk is the present and future risk of failure to meet payment obligations, in whole or in part, over various time horizons (liquidity risk strictly speaking). Causes of default can be either the inability to obtain liquid assets in the market at reasonable conditions (funding liquidity risk) or the inability to liquidate assets (asset liquidity risk). Liquidity risk also includes the risk of being unable to obtain liquidity or liquidate assets under normal market conditions (market liquidity risk). Liquidity risk is often correlated with other risks and may therefore occur in addition to other types of risk. The identification of liquidity risk is closely related to the bank's main strategic processes:

- finalisation of strategic and operational planning;
- RAF;
- ICAAP;
- ILAAP;
- Recovery Plan.

The liquidity risk identification process aims to determine all liquidity risk factors or causes to which the bank is exposed and which may have a significant impact on its liquidity position.

The underlying liquidity risk is determined through specific analyses and assessments, within which two macro areas can be distinguished in relation to the time horizon:

- short-term (or operational) liquidity, which in turn is divided into two sub-areas:
  - intraday liquidity, on the basis of which it is possible to measure the bank's ability to balance its daily cash inflows and outflows and to ensure adequate liquid resources at all times;
  - short-term liquidity, on the basis of which it is possible to assess the Bank's ability to meet its expected and unforeseen payment obligations over a 12-month horizon.
- structural liquidity, which identifies any liquidity imbalances between assets and liabilities over a time horizon of more than one year.

Main competent bodies and functions
The main functions responsible for this area and their main tasks are presented below.

Board of Directors

As the body with strategic supervisory functions, the Board of Directors is responsible for the following tasks:

- defining and approving strategic guidelines, internal policies and regulations, risk appetite and tolerance thresholds of liquidity risk;

- approving the methods used to measure liquidity risk exposure and the key assumptions underlying the stress scenarios;
- defining the indicators and provisions of the Risk Appetite Framework (RAF) and the Contingency Funding Plan.

As a management body, the Board of Directors also has the following tasks:

- defining the main lines of the liquidity risk management process and ensuring that it is continuously updated;
- establishing the responsibilities of the corporate functions and structures involved in the liquidity risk management process;
- defining internal information flows aimed to ensure that corporate bodies and control functions are fully aware of and manage the factors affecting liquidity risk.

Management

The Management, which attends the meetings of the Board of Directors, is responsible for the following tasks:

- proposing the strategic guidelines and policies for managing liquidity risk in concert with the Finance Area;
- communicating the regulations and standards in force within the bank to the company functions involved;
- informing the Board immediately of any deterioration in the Bank's liquidity position.

Risk management

The Risk Management function is responsible for the following tasks:

- defining and proposing to the Board of Directors the factors to be considered for the identification of liquidity risk;
- establishing the methods for defining the liquidity risk exposure;
- defining the main assumptions underlying the stress scenarios;
- defining the liquidity risk indicators relevant to the RAF and the corresponding provisions;
- carrying out liquidity risk analyses at specific points in time and with a view to the future, based on normal and stress scenarios;
- periodically monitoring liquidity risk and compliance with the relevant provisions;
- periodically preparing liquidity risk reports;
- notifying the Management and the qualified company functions if operational limits are exceeded in order to activate the appropriate escalation procedures;
- proposing, with the involvement of the relevant functions, the corrective actions envisaged in the Contingency Funding Plan;
- preparing and submitting reports on liquidity risk to the competent corporate bodies at least on a quarterly basis.

Finance Area

The Finance Area is responsible for the following tasks in the area of liquidity risk:

- monitoring the liquidity position with respect to different time horizons;
- preparing its own reports on the liquidity position and forwarding them to Management and the Risk Management function.

The Treasury & Funding sector

This function is responsible for the following tasks in connection with the management of the short-term liquidity position:

- monitoring and managing the liquidity position, daily funding and use of liquidity in accordance with defined procedures;
- accessing and operating on the money markets;
- monitoring and managing the level of the compulsory reserve established in the supervisory regulations (hereinafter also referred to as "ROB");
- monitoring the system of giro and settlement accounts;
- monitoring the portfolio of financial instruments that can be used for collateralised lending with the European Central Bank or corresponding markets (e.g. MTS);
- implementing all actions required to ensure compliance with the liquidity indicators envisaged by the supervisory regulations.

As part of the management of the medium- to long-term liquidity position, this function is also responsible for:

- preparing the funding plan to be submitted to the head of the Finance Area for approval and, immediately thereafter, to the Board of Directors.

Liquidity risk management process

The bank's liquidity risk management process consists of the following steps:

- risk identification (identification of the main risk factors, internal and external risk sources as well as operational activities that expose the bank to liquidity risk);
- risk analysis (analysis of all major risks and risk factors, definition of risk indicators and models, preparation of internal regulations);
- risk measurement and assessment (measurement/qualitative assessment of the liquidity risk);
- risk monitoring (continuous monitoring of risks and underlying indicators, control of compliance with internal and external regulations and standards, identification of risk trends);
- risk reporting and disclosure (timely reporting, the preparation and dissemination of which facilitates decision-making, consideration of possible changes in the current and future context, assessment of possible risk impacts and new opportunities, risk awareness, risk culture);
- risk management/risk mitigation/related interventions (implementation of actions and their documentation).

The establishment of a risk management process in line with the bank's strategic guidelines is an essential prerogative to effectively implement the risk policy defined by the competent bodies.

Liquidity risk management strategy

As part of its operations, Cassa Centrale Raiffeisen dell'Alto Adige strives to keep liquidity and refinancing risks within appropriate limits. In tris context, liquidity risk management is based on the following principles:

- developing liquidity risk management and monitoring processes in accordance with the bank's organisational structure and with the aim of clearly defining the responsibilities of the corporate bodies and functions involved, as well as in compliance with the provisions of the supervisory body;
- ensuring the bank's financial balance by measuring and monitoring the short-term (including intraday) and medium- to long-term liquidity position, so that:
    - o the bank can meet its payment obligations, both expected and unexpected, while minimising costs;
    - o an appropriate ratio between medium- to long-term assets and liabilities can be ensured in order, on the one hand, to, avoid burdens associated with short-term liquidity sources and, on the other hand, to optimise the cost of liquidity funding;

- establishing a liquidity risk assessment process based on internal and supervisory methods and models, carried out with reference to specific points in time and from a forward-looking perspective as well as on the basis of normal and stress scenarios;
- optimising access to markets in order to obtain financial resources, by maintaining an adequate degree of solvency of the bank and efficient management of liquidity flows;
- optimising the management of any internal or external liquidity crises, ensuring adequate and promptly effective escalation processes to enable timely action to be taken, also in accordance with the provisions of the Contingency Funding Plan.

The liquidity risk process is regulated by the relevant internal regulations. On the other hand, in an additional regulation, Cassa Centrale Raiffeisen dell'Alto Adige defined a special Contingency Funding Plan. The latter defines the standards and processes by which the bank's liquidity profile can be kept under control, from the early stages of a developing liquidity crisis to the onset of a severe liquidity crisis, as well as ensuring the bank's business continuity.

In addition, the following measures are implemented within the bank:

- definition and cataloguing of different types of liquidity stress scenarios;
- definition and monitoring of indicators that - in addition to those already defined within the RAF - can identify the occurrence of stress or liquidity stress scenarios in advance;
- assignment to the relevant corporate bodies, committees and functions of the tasks and responsibilities required for the activation and implementation of the measures outlined in the Contingency Funding Plan (CFP);
- identification of potential actions to be taken in the event of a significant deterioration of the bank's liquidity position;
- periodic estimate of the maximum liquidity that can be generated (back-up liquidity) through the hypothetical activation of emergency measures.

<u>Concentration, sources of liquidity</u>

According to the AMM reporting template "C 67.00.a - concentration of funding by counterparty", more than 80% of the main sources of liquidity (>1% of liabilities) are concentrated in Repo transactions, i.e. funding backed by securities, although refinancing with the Central Bank accounts for about 85% of these large deposits.

<u>Stress scenarios</u>

Cassa Centrale Raiffeisen dell'Alto Adige analyses various stress scenarios with respect to liquidity risk, i.e. with regard to intraday liquidity risk, short-term liquidity risk and structural liquidity risk. Stress scenarios take into account both idiosyncratic and systemic risk factors. The results of the stress scenario analyses are used to calibrate the provisions of the RAF.

<u>ALM application</u>

Cassa Centrale Raiffeisen dell'Alto Adige has an ALM application conforming to industry best practice that enables it to monitor the development of its liquidity position and the underlying liquidity risk in a timely manner. Alongside this, Cassa Centrale Raiffeisen dell'Alto Adige adopted its own risk table, which is updated weekly and contains all relevant liquidity risk indicators.

<u>Availability and liquidity position</u>

The liquidity position of Cassa Centrale Raiffeisen dell'Alto Adige is stable and was further strengthened in 2021:

- issue of another EMTN in autumn 2021 worth € 150 million to strengthen the medium- to long-term liquidity position;
- LCR values of >145%;
- participation in the European Central Bank's TLTRO III operations in the amount of € 3,533,810 thousand;
- concentration risk under AMM reporting;
- Since the end of 2020, Cassa Centrale Raiffeisen dell'Alto Adige has been using the "ABACO" portfolio to further strengthen its liquidity position;
- The fact that several Raiffeisen banks also use the "ABACO" portfolio has positive effects on the liquidity position of the entire Raiffeisen banking organisation;
- The bank's survival period according to the RAF indicator "Survival period (short-term liquidity)" is more than three months;
- The bank's liquidity reserve consists mainly of high quality liquid assets.

1. Distribution of financial assets and liabilities by residual contractual maturity - Currency: €

Items/Time periods	at sight	from 1 day to 7 days	from 7 days to 15 days	from 15 days to 1 month	from 1 month to 3 months	from 3 months to 6 months	from 6 months to 1 year	from 1 year to 5 years	beyond 5 y	unspecified maturity
On-statement of financial position assets	**199,300**	**25,764**	**25,507**	**17,628**	**80,524**	**143,124**	**399,669**	**3,810,242**	**1,023,489**	**116,238**
A.1 Government bonds	-	-	134	-	1,063	47,303	46,888	731,000	460,000	-
A.2 Other debt securities	-	-	-	4	-	8	-	2,788	8,317	-
A.3 OEIC units	151,364	-	-	-	-	-	-	-	-	-
A.4 Loans	47,936	25,764	25,373	17,624	79,461	95,813	352,781	3,076,454	555,172	116,238
- banks	-	18,600	-	-	-	-	193,604	2,273,350	-	116,238
- customers	47,936	7,164	25,373	17,624	79,461	95,813	159,177	803,104	555,172	-
On-statement of financial position liabilities	**1,390,607**	**23,564**	**22**	**54,003**	**376,903**	**103,102**	**263,529**	**4,113,549**	**106,923**	-
B.1 Deposits	1,323,738	23,564	1	35,754	373,848	45,711	65,057	48,524	71,811	-
- banks	406,440	23,500	-	5	332,271	5,000	59,596	33,365	71,811	-
- customers	917,299	64	1	35,749	41,578	40,711	5,461	15,159	-	-
B.2 Debt securities	-	-	21	18,245	3,012	56,675	4,992	719,079	28,500	-
B.3 Other liabilities	66,869	-	-	4	43	716	193,479	3,345,945	6,612	-
Off-statement of financial position transactions	-	-	-	-	-	-	-	-	-	-
C.1 Financial derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	830	329	1,140	335	-	-	-	-	-
- short positions	-	1,251	2,017	3,394	7,443	837	212	-	-	-
C.2 Financial derivatives w/o exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	1,274	-	-	-	-	-	5	-	-	-
- short positions	1,084	-	-	4	48	122	248	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- long positions	15	-	-	-	2	4,524	1,756	59,235	5,894	-
- short positions	71,426	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

1. Distribution of financial assets and liabilities by residual contractual maturity - Currency: OTHER

Items/Time periods	at sight	from 1 day to 7 days	from 7 days to 15 days	from 15 days to 1 month	from 1 month to 3 months	from 3 months to 6 months	from 6 months to 1 year	from 1 year to 5 years	beyond 5 ye	unspecified maturity
On-statement of financial position assets	0	-	-	-	39	-	-	2,135	221	-
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 OEIC units	-	-	-	-	-	-	-	-	-	-
A.4 Loans	0	-	-	-	39	-	-	2,135	221	-
- banks	-	-	-	-	-	-	-	2,135	-	-
- customers	0	-	-	-	39	-	-	-	221	-
On-statement of financial position liabilities	30,052	-	-	-	-	-	-	-	-	-
B.1 Deposits	30,052	-	-	-	-	-	-	-	-	-
- banks	28,099	-	-	-	-	-	-	-	-	-
- customers	1,952	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-statement of financial position transactions	-	-	-	-	-	-	-	-	-	-
C.1 Financial derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	1,251	2,131	3,390	7,441	847	215	-	-	-
- short positions	540	839	347	1,142	336	-	-	-	-	-
C.2 Financial derivatives w/o exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

Section 5 - Operational risk

In 2021, the Covid-19 pandemic continued to have a major impact on everyday life. Members of corporate bodies and employees were regularly updated on the new regulations and measures to counter the Coronavirus crisis. Instructions were given to employees and masks were made available at all times to ensure compliance with rules of hygiene and behaviour.

In the case of Covid-19 positive persons, the necessary measures were taken immediately, such as disinfecting offices and swabbing persons who had direct contact.

Despite the temporary absence of some employees, it was possible to ensure the normal continuation of the bank's activities.

The Covid-19 pandemic also led to changes in the working environment, e.g. increased use of home office work and remote meetings.

In cooperation with IT service provider RIS SCRL, the conditions for video conferencing were optimised and measures were implemented to improve remote collaboration with customers.

In this regard, particular attention was paid to the signing of contracts using remote digital signatures.

Qualitative information

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

Operational risk is the present and future risk of adverse impact due to the inadequacy or inefficiency of procedures, human resources and internal systems or external events.

This definition also includes legal risks but not strategic or reputational risks.

Operational risk is clearly distinguished from other risks:

- it is a risk that often manifests itself at the level of an individual company;
- Operational risks can occur across all areas of Cassa Centrale Raiffeisen dell'Alto Adige;
- there is no central correlation between risk and income, i.e. an increase in operational risk does not generally lead to an increase in income;
- the risks underlying operational risk and the risk factors underlying the sub-risks are very heterogeneous;
- with regard to operational risk, there is often poorly documented or inconsistent historical data;
- operational risk is often difficult to manage and measure;
- In most cases, operational risks are not taken consciously.

Cassa Centrale Raiffeisen dell'Alto Adige uses the following tools to identify, analyse and assess operational risk:

- the results of the internal audit relevant for operational risk;
- database for the identification and analysis of harmful events;
- self-assessments regarding risks and controls and analysis of different scenarios (primarily on IT risk and business continuity risk related to IT risk);
- definition of operational processes;
- risk and performance indicators;
- other activities for the identification and assessment of operational risks (e.g. external benchmark analyses, preparation, monitoring and implementation of action plans).

Cassa Centrale Raiffeisen dell'Alto Adige determines the capital requirement for operational risk using the basic indicator approach. This method refers to the "relevant indicator" for the quantification of this capital requirement.

The latter is 15 % of the three-year average of the relevant indicator (see Article 316 CRR).

The systematic identification of harmful events related to operational risk is a fundamental prerogative for the sound analysis and assessment of risks as they manifest themselves, and for the subsequent identification of appropriate control measures. Cassa Centrale Raiffeisen dell'Alto Adige has therefore created a database of harmful events in order to identify the circumstances that give rise to operational risks, and to analyse and assess the related risk exposures. In 2021, losses incurred due to operational risks amounted to less than 0.001% of the financial statement total.

Cassa Centrale Raiffeisen dell'Alto Adige has a Business Continuity Plan in place to protect it from crisis events that could disrupt normal operations. In this regard, the operational procedures to be adopted in the crisis scenarios considered were formalised and the roles and responsibilities of the various players involved were defined. The aforementioned plan also includes the Disaster Recovery Plan, which establishes the technical and organisational measures to be taken in the event of the unavailability of the information systems, even where the data processing activity has been assigned to a third party. The business continuity plan is reviewed annually and, if deemed appropriate, adjusted accordingly.

Cassa Centrale Raiffeisen dell'Alto Adige has defined its risk appetite for operational risk in the Risk Appetite Framework.

Other risks closely related to operational risk

Legal risk

Operational risks also include legal risks (including behavioural risk).

At present, Cassa Centrale Raiffeisen dell'Alto Adige is not exposed to any risks of a legal nature that have become significant or that are considered likely to materialise.

Pending legal proceedings

At the end of 2021, Cassa Centrale Raiffeisen dell'Alto Adige had pending legal proceedings. These are two cases concerning the intermediation of financial products and one case concerning the interpretation of contractual terms. There is also a case against the tax authorities and an additional case is pending for an alleged violation of law provisions.

The quantification of these risks was estimated at € 220.

Reputational risk

Reputational risk is the present and future danger of negative effects resulting from damage to the image of Cassa Centrale Raiffeisen dell'Alto Adige. In general, reputational risk arises simultaneously with and as a consequence of other risks and can amplify other risks, in extreme cases creating a snowball effect.

Reputational risk is one of those risks that are difficult or impossible to quantify. Consequently, the measurement and assessment of this risk is carried out by monitoring risk indicators, the analysis of harmful events related to operational risk that affect the image, and qualitative assessments. Analyses of different scenarios can be used to assess reputational risk with a view to the future.

Reputational risk can be managed by effectively managing the other risks.

The number of customer complaints at Cassa Centrale Raiffeisen dell'Alto Adige continues to be very low, which means that this risk can be classified as extremely low.

The following measures, which are part of Cassa Centrale Raiffeisen dell'Alto Adige's internal best practice, serve to effectively counter the occurrence of reputational risks:

- entry into new lines of business or new markets is made only after careful analysis of the market characteristics and underlying risks;
- when entering new areas of activity or new markets, but also in the carrying-out of the current business, compliance with ethical and moral principles (set out in the code of ethics/behaviour) takes precedence over the pursuit of profit maximisation;
- any activity or transaction that exposes Cassa Centrale Raiffeisen dell'Alto Adige to an unquantifiable risk is disregarded in advance.

In 2021, Cassa Centrale Raiffeisen dell'Alto Adige recorded only three customer complaints.

Part F - Information on equity

Section 1 - Company equity

A. Qualitative information

Capital adequacy is monitored through strategic planning activities. It is given an important role in managing its business activities and related risks. Adequate profitability, liquidity and capital strength are taken into account when defining strategy and growth targets.

Within the risk appetite framework, different levels of attention are defined to ensure ongoing compliance with regulatory requirements and business objectives.

Compliance with the requirements is monitored regularly on a quarterly basis by risk management.

The bank's equity consists of the following liability items:

- Share capital
- Reserves
- Valuation reserves
- Profit for the year

B. Quantitative information

B.1 Company equity: breakdown

Item/Amounts	31/12/2021	31/12/2020
1. Share capital	**225,000**	**225,000**
2. Share premium reserve		
3. Reserves	**177,013**	**149,369**
- income related	146,371	126,238
a) legal	18,771	17,568
b) statutory	127,600	108,670
c) treasury shares		
d) other		
- other	30,641	23,130
4. Equity instruments		
5. (Treasury shares)		
6. Valuation reserves	**20,906**	**26,712**
- Equity instruments designated at fair value through other comprehensive income	7,561	2,481
- Coverage of equity instruments at fair value through other comprehensive income		
- Financial assets (other than equity instruments) at fair value through other comprehensive income	10,216	14,663
- Property, equipment and investment property		
- Intangible assets		
- Hedging of investments in foreign operations		
- Cash flow hedges		
- Hedging instruments (elements not designated)		
- Exchange rate differences		
- Non-current assets held for sale		
- Financial liabilities designated at fair value through profit or loss (change in Bank's creditworthiness)		
- Actuarial gains (losses) on defined benefit plans	(970)	(990)
- Portion of valuation reserves of equity-accounted investments	(746)	(1,874)
- Special revaluation laws	4,845	12,432
7. Net income (loss) for the year	**42,739**	**24,071**
Total	**465,658**	**425,151**

B.2 Valuation reserves for financial assets at fair value through other comprehensive income: breakdown

Asset/Amounts	31/12/2021		31/12/2020	
	Positive reserve	**Negative reserve**	**Positive reserve**	**Negative reserve**
1. Debt securities	10,216	-	14,471	-
2. Equity instruments	7,561	-	2,481	-
3. Loans	-	-	-	-
Total	**17,777**	**-**	**16,952**	-

B.3 Valuation reserves for financial assets at fair value through other comprehensive income: annual changes

	Debt securities	**Equity instruments**	**Loans**
1. Opening balance	14,471	2,481	-
2. Increases	-	**5,080**	-
2.1 Fair value gains	-	**5,080**	-
2.2 Impairment losses for credit risk	-	X	-
2.3 Reclassification to profit or loss of negative reserves on sales	-	X	-
2.4 Transfers to other equity components (equity instruments)	-	-	-
2.5 Other increases	-	-	-
3. Decreases	**4,255**	-	-
3.1 Fair value losses	**4,255**	-	-
3.2 Reversals of impairment losses for credit risk	-	-	-
3.3 Reclassification of fair value gains to profit or loss: on sales	-	X	-
3.4 Transfers to other equity components (equity instruments)	-	-	-
3.5 Other decreases	-	-	-
4. Closing balance	**10,216**	**7,561**	-

Part F - Information on equity

Section 2 - Prudential capital and ratios

Information on Regulatory capital and ratios can be found in the public reporting ("Third Pillar") published on the website of Cassa Centrale Raiffeisen dell'Alto Adige.

Part G - Business combinations

In 2021, the Bank reorganised its activities in cooperation with Alpenbank AG. As part of the reorganisation of these activities, particular emphasis was placed on strengthening Alpenbank's distribution and placement activities, with the Raiffeisen banks taking over the related administrative activities. In particular, customer consultancy activities were transferred to Alpenbank, while the development of contracts for current accounts, securities deposits and other banking services was transferred to Cassa Centrale Raiffeisen dell'Alto Adige.

Part H - Related party transactions

Section 1 - Information on remuneration of directors and managers.

The remuneration of directors and statutory auditors was set by resolution of the Shareholders' Meeting. The salaries of managers were set by resolution of the Board of Directors. Information on remuneration and salaries is disclosed in accordance with IAS 24, paragraph 16.

In 2021, remuneration of € 690 thousand was paid to the directors and € 238 thousand to the statutory auditors.

These amounts do not include value added tax and other social security contributions. Managers were paid salaries, including social security and other charges, of € 1,697 thousand.

Section 2 - Information on related party transactions.

Transactions with related parties and jointly controlled companies were carried out at arm's length. In 2021, no specific provisions were made for losses on receivables from the above-mentioned related parties and jointly controlled companies. Assets, liabilities, guarantees and commitments to related and jointly controlled parties at the end of the reporting period are listed below.

	Assets	Liabilities	Collaterals	Income	Expense
Directors	-	-	-	-	-
Board of Statutory Auditors	-	-	-	-	-
Management	135	942	-	1	1
Associates	243	12,237	50	1	37
Companies subject to joint control	15,000	128	-	75	-

Part I - Share-based payment agreements

The bank did not enter into any share-based payment agreements in 2021.

Part L - Segment reporting

Cassa Centrale Raiffeisen dell'Alto Adige is not obliged to provide sector information.

Part M - Disclosure on leases

Section 1 - Lessee

Quantitative information

With the introduction of International Financial Reporting Standard IFRS 16, the presentation of leases in the financial statements was redefined (see Part A Section 4, Other aspects, of the notes to the financial statements).

Cassa Centrale Raiffeisen dell'Alto Adige analysed the existing lease contracts, considering four long-term rental contracts relating to the company's fleet as significant.

In total, rights of use amounting to € 119 were quantified. The discounting of the monthly instalments was calculated by taking a reference rate of 0.457%.

The contracts considered have an average residual life of three years.

Part M – Disclosure on leases

Section 1 - Lessee

1. Information on statement of financial position and income statement

Reference is made to:

- Part B, Assets, Section 4 -Financial assets measured at amortised cost, for information on lease financing;

- Part C, Income Statement, Section 1 - Interest, for information on interest income on lease financing.

Part M – Disclosure on leases

Section 2 - Lessee

2. Finance leases

2.1 Classification by time bands of payments to be received and reconciliation with finance leases

	Total 31/12/2021	**Total 31/12/2020**
Time bands	Lease payments to be received	Lease payments to be received
Up to 1 year	42,318	35,546
From 1 year to 2 years	40,490	36,942
From 2 year to 3 years	39,377	34,722
From 3 year to 4 years	30,343	33,592
From 4 year to 5 years	38,330	31,779
From 5 years	201,959	170,037
Total lease payments to be received	**392,817**	**342,618**
Reconciliation with finance leases	0	0
Financial income not accrued (-)	42,318	-
Non-guaranteed residual value (-)	347,646	289,436
Finance leases	**392,817**	**342,618**

2021 Independent auditor's report

Cassa Centrale Raiffeisen dell'Alto Adige S.p.A.

Financial statements as at December 31, 2021

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010, and article 10 of EU Regulation n. 537/2014

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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014 (Translation from the original German text)

To the Shareholders of
Cassa Centrale Raiffeisen dell'Alto Adige S.p.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Cassa Centrale Raiffeisen dell'Alto Adige S.p.A. (the Company), which comprise the balance sheet as at December 31, 2021, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing article 43 of Legislative
Decree n. 136, dated August 18, 2015.

Basis for Opinion

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

Key Audit Matters

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

We identified the following key audit matter:

Key Audit Matter	Audit Response
Classification and valuation of financial loans to customers	
Loans to customers measured at amortized cost, which are reported in line item 40 b) of the balance sheet, amount to Euro 1,768 million and represent 25% of total assets. The classification and valuation of loans to customers are relevant to the audit due to the significance of the amount of the loans to the financial statement as a whole, and in consideration of the fact that the impairment provisions are determined by the Directors through the use of	In relation to this matter, our audit procedures, carried out also with the support of our experts, mainly in risk management and information systems, included, among other things: • updating our understanding of the policies, processes and controls implemented by the company in relation to the classification and evaluation of financial loans to customers, and

estimates that have a high degree of complexity and subjectivity. In addition, these estimation processes consider specific elements designed to reflect the current environment of uncertainty about the evolution of the macroeconomic scenario brought about by the continuation of the Covid-19 pandemic and the effects of government measures to support the economy including, in particular, payment moratoria and the issuance or renegotiation of financing granted by the state.
Amongst the estimation factors, the following are particularly significant:

- the identification and calibration of the parameters for determining if a significant increase in credit risk occurred as compared to the initial recognition date, for the purposes of the allocation of exposures to Stage 1 and Stage 2 (performing loans).
- the definition of the models and parameters of Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) applied for the calculation of expected losses (ECL - Expected Credit Losses), over one year for exposures classified in Stage 1 and lifetime for exposures classified in Stage 2, on the basis of historical observation of data for each risk class and forward-looking factors, including macroeconomic factors.
- the identification of evidence that may lead to consider not fully recoverable the amount of the loans (evidence of impairment), with consequent classification of the exposures in Stage 3 (impaired loans).

- for loans classified in Stage 3, the determination of the criteria for estimating the expected cash flows according to the recovery strategy.

Disclosures regarding the evolution of the quality of the financial loans to customers portfolio and the criteria adopted for the classification and valuation are provided in Part A - Accounting Policies, in Part B – Information on the Balance Sheet, in Part C - Information on the income statement and in Part E - Information on risks and hedging policies of the notes to the financial statements

performing test over key controls, including those relating to IT system for the purpose of verifying their operating effectiveness;

- performing, on a sample basis, substantive procedures aimed at verifying the correct classification and valuation of the loan exposures, with particular reference to the exposures affected by the payment moratoria measures;
- understanding the methodologies used in relation to statistical valuations and the reasonableness of the assumptions used including the new macroeconomic scenarios and their weighting;
- performing compliance and testing procedures, which were aimed at verifying the appropriate determination of the PD, LGD and EAD parameters for the purpose of determining the impairment provisions;
- performing comparative analysis procedures for the loan portfolio regarding the most significant differences compared to the closing balances of the preceding year end and the related coverage levels;
- finally, we analysed the adequacy of the disclosures provided in the notes to the financial statements.

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing article 43 of Legislative Decree n.136, dated August 18, 2015, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

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

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

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated them all matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken to eliminate relevant risks or the safeguard measures applied.

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

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Cassa Centrale Raiffeisen dell'Alto Adige S.p.A., in the general meeting held on May 18, 2020, engaged us to perform the audits of the financial statements for each of the years ending December 31, 2021 to December 31, 2029.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Cassa Centrale Raiffeisen dell'Alto Adige S.p.A. are responsible for the preparation of the Report on Operations of Cassa Centrale Raiffeisen dell'Alto Adige S.p.A. as at December 31, 2021, including their consistency with the related financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations with the financial statements of Cassa Centrale Raiffeisen dell'Alto Adige S.p.A. as at December 31, 2021 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations is consistent with the financial statements of Cassa Centrale Raiffeisen dell'Alto Adige S.p.A. as at December 31, 2021 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Verona, April 7, 2022

EY S.p.A.
Signed by: Marco Bozzola, Auditor

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

Note: the Report on Operations is not included in this translation of the Annual Report.

2022 Financial Statements

Statement of Financial Position

	ASSET ITEMS	31/12/2022	31/12/2021
10	Cash and cash equivalents	**315,562,576**	**974,847,447**
20	Financial assets measured at fair value through profit or loss	**156,152,399**	**157,035,793**
	a) financial assets held for trading;	32,248,664	24,633,933
	b) financial assets designated at fair value;	0	0
	c) other financial assets mandatorily measured at fair value	123,903,735	132,401,860
30	Financial assets measured at fair value through other comprehensive income	**471,623,704**	**472,770,915**
40	Financial assets measured at amortised cost	**5,116,624,952**	**5,276,507,402**
	a) loans and receivables with banks	2,310,753,995	2,585,934,081
	b) loans and receivables with customers	2,805,870,956	2,690,573,321
50	Hedging derivatives	**1,342,933**	**0**
70	Equity investments	**21,591,023**	**26,462,786**
80	Property, equipment and investment property	**13,603,475**	**14,057,845**
90	Intangible assets	**58,374**	**123,934**
	of which: Goodwill	*0*	*117,400*
100	Tax assets	**25,958,629**	**6,878,665**
	a) Current	6,635,635	242,351
	b) Deferred	19,322,994	6,636,314
120	Other assets	**103,830,454**	**39,562,018**
	TOTAL ASSETS	**6,226,348,518**	**6,968,246,805**

Statement of Financial Position

	LIABILITIES AND EQUITY	31/12/2022	31/12/2021
10	Financial liabilities measured at amortised cost	**5,725,313,804**	**6,443,721,902**
	a) due to banks	3,352,855,769	4,465,692,939
	b) due to customers	1,507,056,956	1,152,226,301
	c) securities issued	865,401,078	825,802,662
20	Financial liabilities held for trading	**5,773,522**	**1,127,912**
40	Hedging derivatives	**12,532**	**1,183,560**
60	Tax liabilities	**978,583**	**11,056,342**
	a) current	0	5,615,510
	b) deferred	978,583	5,440,831
80	Other liabilities	**42,009,550**	**38,971,928**
90	Post-employment benefits	**2,847,464**	**3,428,507**
100	Provisions for risks and charges:	**3,679,166**	**2,803,095**
	a) commitments and guarantees given	3,214,736	2,422,345
	b) pension and similar obligations	0	0
	c) other provisions for risks and charges	464,430	380,750
110	Valuation reserves	**(18,821,876)**	**21,202,073**
	of which associated with discontinued operations	*0*	*0*
140	Reserves	**202,651,486**	**177,012,709**
	of which interim dividends	*0*	*0*
160	Share capital	**250,000,000**	**225,000,000**
180	Net income (loss) for the year (+/-)	**11,904,287**	**42,738,777**
	TOTAL LIABILITIES AND EQUITY	**6,226,348,518**	**6,968,246,805**

Income statement

	ITEMS	31/12/2022	31/12/2021
10	Interest and similar income	73,626,051	72,690,779
	of which: interest income calculated with the effective interest method	*72,372,267*	*41,963,209*
20	Interest and similar expense	(**23,918,777**)	(30,057,195)
30	**NET INTEREST INCOME**	**49,707,273**	**42,633,583**
40	Fee and commission income	48,372,221	37,491,726
50	Fee and commission expense	(27,910,590)	(17,370,988)
60	**NET FEE AND COMMISSION INCOME**	**20,461,630**	20,120,738
70	Dividends and similar income	1,588,200	1,588,136
80	Profits (losses) on trading	1,740,490	3,435,893
90	Net hedging income (expense)	279,301	37,055
100	Profits (losses) on disposal or repurchase of:	15,804,914	6,921,176
	a) financial assets measured at amortised cost	5,128,774	(1)
	b) financial assets measured at fair value through other comprehensive income	10,649,334	6,953,670
	c) financial liabilities	26,806	(32,494)
110	Profits (losses) on other assets and liabilities measured at fair value through profit or loss	(10,306,761)	14,087,642
	a) financial assets and liabilities designated at fair value	0	0
	b) other financial assets mandatorily measured at fair value	(10,306,761)	14,087,642
120	**NET INTEREST AND OTHER BANKING INCOME**	**79,275,047**	**88,824,223**
130	Net impairment losses for credit risk on:	(13,439,294)	(8,648,780)
	a) financial assets measured at amortised cost	(13,557,139)	(8,545,420)
	b) financial assets measured at fair value through other comprehensive income	(117,845)	(103,360)
140	Profits (losses) on changes in contracts without derecognition	(797)	(20,125)
150	**NET INCOME FROM FINANCIAL ACTIVITIES**	**65,834,956**	**80,155,317**
160	Administrative expenses:	(43,417,572)	(41,214,789)
	a) personnel expenses	(22,331,414)	(21,357,666)
	b) other administrative expenses	(21,086,158)	(19,857,123)
170	Net provisions for risks and charges	(823,571)	236,691
	a) commitments and guarantees given	(691,404)	250,151
	b) other net provisions	(132,167)	(13,460)
180	Depreciation and net impairment losses on property, equipment and investment property	(796,913)	(824,171)
190	Amortisation and net impairment losses on intangible assets	(34,261)	(26,449)
200	Other operating expenses (income)	9,198,546	8,721,056
210	**OPERATING EXPENSES**	**(35,873,771)**	**(33,107,661)**
220	Profits (losses) on equity investments	(9,527,566)	7,027,084
240	Goodwill impairment losses	(117,400)	0
250	Profits (losses) on disposal of investments	(5,553)	(785)
260	**INCOME (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS**	**20,310,667**	**54,073,955**
270	Taxes on income from continuing operations	(8,406,380)	(11,335,178)
280	**INCOME (LOSS) AFTER TAX FROM CONTINUING OPERATIONS**	**11,904,287**	**42,738,777**

300	**NET INCOME (LOSS) FOR THE YEAR**	**11,904,287**	**42,738,777**

Statement of comprehensive income

	Items	31/12/2022	31/12/2021
10.	**Net income (loss) for the year**	**11,904,287**	**42,738,777**
	Other comprehensive income net of income taxes without reclassification to profit or loss		
20.	Equity instruments designated at fair value through other comprehensive income	(2,771,616)	5,080,311
30.	Financial liabilities designated at fair value through profit or loss (change in Bank's creditworthiness)	-	-
40.	Coverage of equity instruments at fair value through other comprehensive income	-	-
50.	Property, equipment and investment property	-	-
60.	Intangible assets	-	-
70.	Defined benefit plans	207,769	20,348
80.	Non-current assets held for sale and disposal groups	-	-
90.	Portion of valuation reserves of equity-accounted investments	600,476	1,127,919
	Other comprehensive income net of income taxes with reclassification to profit or loss		
100.	Hedging of investments in foreign operations	-	-
110.	Exchange rate differences	-	-
120.	Cash flow hedges	-	-
130.	Hedging instruments (elements not designated)	-	-
140.	Financial assets (other than equity instruments) at fair value through other comprehensive income	(38,060,581)	(11,738,084)
150.	Non-current assets held for sale and disposal groups	-	-
160.	Portion of valuation reserves of equity-accounted investments	-	-
170.	**Total other comprehensive income net of income taxes**	**(40,023,952)**	**(5,509,506)**
180.	**COMPREHENSIVE INCOME (Item 10+170)**	**(28,119,665)**	**37,229,270**

Statement of changes in equity

	Balance as at 31/12/21	Change in opening balances	Balance as at 01/01/22	Allocation of prior year profit	
				Reserves	Dividends and other allocations
Share capital:					
a) ordinary shares	225,000,000	-	225,000,000	-	-
b) other shares	-	-	-	-	-
Share premium reserve	-	-	-	-	-
Reserves:					
a) income related	146,371,327	-	146,371,327	42,738,777	(17,100,000)
b) other	30,641,382		30,641,382		
Valuation reserves:	21,202,075	-	21,202,075	-	-
Equity instruments	-	-	-	-	-
Treasury shares	-	-	-	-	-
Net income (loss) for the year	42,738,777		42,738,777	(42,738,777)	
Equity	**465,953,560**		**465,953,560**		(17,100,000)

Changes during the year								
	Equity transactions							
Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary dividend distribution	Change in equity instruments	Derivatives on treasury shares	Stock options	Comprehensive income as at 31/12/22	Equity as at 31/12/22
-	25,000,000	-	-	-	-	-	-	**250,000,000**
-	-	-	-	-	-	-	-	**-**
- -	- -	- -	- -	- -	- -	- -	- -	**172,010,104** **30,641,382**
-	-	-	-	-	-	-	(40,023,952)	**(18,821,877)**
-	-	-	-	-	-	-	-	**-**
-	-	-	-	-	-	-	-	**-**
-	-	-	-	-	-	-	11,904,287	11,904,287
-	**25,000,000**	**-**	**-**	**-**	**-**	**-**	**(28,119,665)**	**445,733,896**

Statement of changes in equity as at 31 December 2021

	Balance as at 31/12/2021	Change in opening balances	Balance as at 01/01/2022	Allocation of prior year profit	
				Reserves	Dividends and other allocations
Share capital:					
a) ordinary shares	225,000,000	-	225,000,000	-	-
b) other shares	-	-	-	-	-
Share premium reserve	-	-	-	-	-
Reserves:					
a) income related	126,238,280	-	126,238,280	24,070,547	(3,937,500)
b) other	23,130,265	-	23,130,265	-	-
Valuation reserves:	26,711,581	-	26,711,581	-	-
Equity instruments	-	-	-	-	-
Treasury shares	-	-	-	-	-
Net income (loss) for the year	24,070,547	-	24,070,547	(24,070,547)	-
Equity	**425,150,673**	**-**	**425,150,673**	**-**	**(3,937,500)**

Changes during the year								Equity as at 31/12/2021
Changes in reserves	Equity transactions						Comprehensive income as at 31/12/2021	
	Issue of new shares	Purchase of treasury shares	Extraordinary dividend distribution	Change in equity instruments	Derivatives on treasury shares	Stock options		
-	-	-	-	-	-	-	-	**225,000,000**
-	-	-	-	-	-	-	-	**-**
-	-	-	-	-	-	-	-	**146,371,327**
7,511,117	-	-	-	-	-	-	-	**30,641,382**
-	-	-	-	-	-	-	(5,509,506)	**21,202,075**
-	-	-	-	-	-	-	-	**-**
-	-	-	-	-	-	-	-	**-**
-	-	-	-	-	-	-	42,738,777	42,738,777
7,511,117	**-**	**-**	**-**	**-**	**-**	**-**	**37,229,270**	**465,953,560**

Statement of cash flows

Indirect method

A. OPERATING ACTIVITIES	31/12/2022	31/12/2021
1. Cash flow from operating activities	**43,113,633**	**45,531,550**
- net income (loss) for the year (+/-)	11,904,287	42,738,777
-capital gains/losses on financial assets/liabilities held for trading and on financial assets/liabilities measured at fair value (-/+) through profit or loss (-/+)	8,566,272	(17,523,534)
- capital gains/losses on hedging activities	(279,301)	(37,055)
- net impairment losses for credit risk (+/-)	13,439,294	8,648,780
- depreciation/amortisation and net impairment losses on property, equipment and investment property and intangible assets (+/-)	831,174	850,619
- net accruals to provisions for risks and charges and other costs/revenues (+/-)	823,571	(236,691)
- unpaid duties, taxes and tax credits (+)	8,406,380	11,335,178
- net value adjustments/write-backs to discontinued operations net of the tax effect (+/-)	-	-
- other adjustments (+/-)	(578,043)	(244,524)
2. Cash flow generated/used by financial assets	**55,216,158**	**(655,268,090)**
-financial assets held for trading	(16,181,002)	18,344,292
-financial assets designated at fair value	-	-
-other assets mandatorily measured at fair value	8,498,125	(18,354,299)
-financial assets at fair value through other comprehensive income	1,147,211	(13,918,548)
-Financial assets measured at amortised cost	146,443,157	(631,352,053)
- other assets	(84,691,333)	(9,987,482)
3. Cash flow generated/used by financial liabilities	**(730,048,232)**	**1,043,859,835**
-financial liabilities measured at amortised cost	(758,006,515)	940,721,385
-financial liabilities held for trading	39,598,416	101,055,090
-financial liabilities designated at fair value	4,645,610	(316,091)
- other liabilities	(16,285,743)	2,399,451
Cash flow generated/used by operating activities	**(631,718,441)**	**434,123,295**
B. INVESTING ACTIVITIES		
1. Cash flow generated by	**4,903,061**	**5,880,818**
- sales of equity investments	4,871,763	5,880,818
- dividends from equity investments	-	-
- sales of property, equipment and investment property	-	-
- sales of intangible assets	31,298	-
- sales of business units	-	-
2. Cash flow used for	**(342,542)**	**(285,552)**
- purchases of equity investments	-	-
- purchases of property, equipment and investment property	**(342,542)**	(165,241)
- purchases of intangible assets	-	(120,311)
- purchases of business units	-	-
Cash flow generated/used by investing activities	**4,560,519**	**5,595,266**
C. FINANCING ACTIVITIES		
- issue/repurchase of treasury shares	25,000,000	-
- issue/repurchase of equity instruments	-	-
- dividend distribution and other	(57,123,950)	(1,935,898)
Cash flow generated/used by financing activities	**(32,123,950)**	**(1,935,898)**
CASH FLOW GENERATED/USED DURING THE YEAR	**(659,281,871)**	**437,782,663**

Key

(+) generated
(-) used

Reconciliation

Financial statement items	**31/12/2022**	**31/12/2021**
Cash and cash equivalents at the beginning of the year	**974,847,447**	**537,067,784**
Total cash flow generated/used during the year	**(659,281,871)**	**437,782,663**
Cash and cash equivalents: effect of changes in foreign exchange rates	**(3,000)**	**(3,000)**
Cash and cash equivalents at the end of the year	**315,562,576**	**974,847,447**

Notes to the financial statements

Part A – Accounting policies

A 1 GENERAL INFORMATION

Section 1 - Statement of compliance with international financial reporting standards

Cassa Centrale Raiffeisen dell'Alto Adige S.p.A. declares that these financial statements as at 31 December 2022 were prepared in accordance with all international accounting standards (IAS/IFRS) adopted by the International Accounting Standard Board (IASB)and with the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) endorsed by the European Commission, as established by Regulation (EC) no. 1606 of 19 July 2002, as well as the instructions of the Bank of Italy, which were made available to banks by circular no. 262 of 22 December 2005 as amended. These annual financial statements comprise the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flow, as well as the notes to the financial statements and related comparative information. Moreover, the financial statements are supplemented by a report on operations of the Board of Directors and have also been prepared for the purpose of determining the profit for the year for calculating common equity tier 1 capital, as required by Regulation (EU) no. 575/2013 on prudential requirements for credit institutions and investment firms.

Pursuant to Article 5 of Italian Legislative Decree No. 38 of 28 February 2005, the application of International Accounting Standards can be waived only in exceptional cases or when the application of a provision of International Accounting Standards is incompatible with a true and fair view of the financial position, results of operations and cash flows.

In these cases, the notes to the financial statements describe the reasons why the provisions of the international accounting standards are not applicable. In the annual financial statements, any profits from the derogation are entered into a non-distributable reserve.

The accounting policies applied in the preparation of these financial statements as at 31 December 2022 are consistent with those applied in the preparation of the financial statements for the year ended 31 December 2021.

Section 2 - General principles for the preparation of financial statements

The following general principles of IAS 1 were observed in the preparation of the financial statements:

1) Going concern. The financial statements were prepared on a going concern basis, which means that assets, liabilities and off-statement of financial position transactions were measured at the present value.

No uncertainties other than those inherent in the company's business have been identified that may cast doubt on the company's ability to continue as a going concern.

2) Accrual basis of accounting. The financial statements were prepared on an accrual basis. Therefore, costs and revenues are recognised on an accrual basis regardless of when they are settled in cash.

3) Consistency of presentation of the financial statements. The presentation and classification of items are retained from one period to the next to ensure comparability of information unless a change is justified either by a change in an international accounting standard or its interpretation. When the presentation or classification of items in the financial statements is changed, the comparative amounts are also reclassified, indicating the nature and reasons for the reclassification.

If the accounts are not comparable, those for the previous year are adjusted. The lack of comparability and the adjustment or the inability to make any such an adjustment are reported and commented on in these notes to the financial statements.

4) Materiality and aggregation. The financial statements consist of items and sub-items. The envisaged sub-items are aggregated when their amounts are immaterial or when aggregation improves clarity. In this case, the aggregated individual sub-items are shown in the notes to the financial statements.

5) Offsetting. Assets and liabilities, cost and revenues may not be offset unless required or permitted by an international accounting standard or an interpretation thereof or by the financial statement formats for banks issued by the Bank of Italy.

6) Comparative information. Comparative information for the previous period must be disclosed for all quantitative information, except where an international accounting standard or

interpretation thereof envisages or expressly requires an exception. They are also included in comments and descriptions when this is effective for a better understanding of the financial statements.

In the preparation of the financial statements, the formats and guidelines set forth in Bank of Italy Circular no. 262 of 22 December 2005 ("Banking Financial Statements: formats and guidelines", 7th Update of 29 October 2021), as well as the provisions contained in the Bank of Italy's supplementary communications, in particular that of 27 October 2022 ("IAS/IFRS Financial Statements as at 31 December 2022 -Information on the Transition to IFRS 17 and IFRS 9") and of 21 December 2021 ("Update of the supplements to the provisions of Circular no. 262 - Banking Financial Statements: formats and guidelines") were complied with.

The amounts shown in the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flow are in €. The amounts in the notes to the financial statements are presented in thousands of € except where the presentation of amounts in thousands of € would not enhance the clarity and immediacy of the information in the financial statements. In the latter case, the parties concerned are shown in € in the notes to the financial statements, with an explicit reference to this fact.

In the statement of financial position, the income statement and the notes to the financial statements, items for which there are no amounts for the year ended or previous year are not shown.

In the income statement, revenues are shown without a sign and costs are shown in brackets. In the statement of comprehensive income, the negative amounts are reported in brackets.

Section 3 - Events after the reporting period

During the period of time between the reporting date of these financial statements and their approval by the Board of Directors on 20 March 2023, no events took place which led to an adjustment of the figures approved at that time nor were there any significant events that would require an amendment to the disclosure provided.

Section 4 - Other aspects

External audit

The annual financial statements are audited externally by the independent auditors EY S.p.A. pursuant to Articles 14 and 16 of Italian Legislative Decree no. 39/2010, as amended by Italian Legislative Decree no. 135/2016, and in accordance with the relevant task assigned by the shareholders' meeting on 18 May 2020.

IAS 8 Accounting standards, changes in accounting estimates and errors

Cassa Centrale Raiffeisen dell'Alto Adige declares that it is not aware of any errors requiring disclosure for the purposes of IAS 8, paragraphs 28, 29, 30, 31, 39, 40 and 49. Therefore, there is no material risk that would result in significant adjustments to the carrying amounts of assets and liabilities within the next financial year.

Italian Law no. 124 of 4 August 2017, art. 1, paragraph 125

This provision was reformulated in Article 35 of Italian Law no. 58/2019. It imposes specific transparency obligations on all companies registered in the Companies Registry. In particular, companies that receive grants, subsidies, benefits, contributions or aids, in cash or in kind, which are not of a general nature and which do not involve payment, remuneration or compensation, must disclose these amounts in the notes to the financial statements.

The obligation to publish does not apply if the amount of these contributions in the period under review is less than € 10,000.

In 2022, Cassa Centrale Raiffeisen dell'Alto Adige did not receive any such contributions or other subsidies from the public administration.

Mandatory accounting standards as from 1 January 2022

The accounting standards used for preparing these financial statements, with reference to classification, recognition, measurement and derecognition criteria for each asset and liability item, as with the recognition methods for revenues and costs, underwent changes during 2022 that had no effect on the bank's financial statements.

IFRS 16

On 31 December 2018, the European Commission approved the accounting standard IFRS 16-Leases (Reg. (EU) 2017/1986) which, as from 1 January 2019, must be applied in the preparation of financial statements.

IFRS 16 redefines lease transactions. At the beginning of the contract, the entity must assess whether the contract is, or contains, a lease. The contract is, or contains, a lease if, for consideration, the right to control the use of a specified asset is transferred for a specified period of time. Thus, the accounting standard also applies to medium- and long-term leases.

With Regulation no. 1434/2020 of 9 October 2020, amendments were made to IFRS 16-Leases to provide lessees with a practical solution for amendments to contracts related to Covid-19 pandemic measures. These amendments consist in the possibility of not applying the accounting rules on amendments to contracts following forbearance measures that are attributable to the Covid-19 pandemic, if certain conditions are met.

This amendment to IFRS 16 had no impact on the financial statements of Cassa Centrale Raiffeisen dell'Alto Adige.

IFRS 17

On 19 November 2021, with Regulation (EU) 2021/2036, the European Commission absorbed IFRS 17 -Insurance Contracts into European law, to which other subsequent amendments made to other standards refer: IFRS 1, IFRS 3, IFRS 5, IFRS 7, IFRS 9, IFRS 15, IAS 1, IAS 7, IAS 16, IAS 19, IAS 28, IAS 32, IAS 36, IAS 37, IAS 38, IAS 40 and SIC-27. On 8 September 2022, with Regulation (EU) 2022/1491, the European Commission absorbed amendments to IFRS 17 - Insurance Contracts into European law. It introduced rules to simplify comparative information when a company applies IFRS 17 "Insurance Contracts" and IFRS 9 "Financial Instruments" simultaneously for the first time.

IFRS 17 and the corresponding subsequent amendments must be applied at the latest for financial years beginning on or after 1 January 2023. However, voluntary early adoption of IFRS 17 is allowed.

An entity must apply IFRS 17 to the following contracts:

a) insurance contracts, including reinsurance contracts, it issues;
b) the reinsurance contracts it holds; and
c) investment contracts with discretionary participation features it issues, provided the entity

also issues insurance contracts.

Cassa Centrale Raiffeisen dell'Alto Adige has been using IFRS 17 since 1 January 2023. International Accounting Standard IAS 8 sets out disclosure requirements for companies implementing a new Accounting standard that has been issued but is not yet effective. Pursuant to paragraph 30 of IAS 8 and the Bank of Italy Communication of 27 October 2022, Cassa Centrale Raiffeisen dell'Alto Adige specifies that the application of IFRS 17 will have no significant impact on its financial statements. This is due to the fact that Cassa Centrale Raiffeisen dell'Alto Adige has not issued or does not hold any such insurance contracts.

IFRS 9

With reference to the application of IFRS 9, the following information is presented:

Stage allocation

In line with the provisions of IFRS 9, the Bank applies a process for the allocation of financial assets (stage allocation), on and off-statement of financial position, classified in the accounting categories of financial assets measured at fair value through other comprehensive income with recycling (i.e. financial assets whose OCI reserve is transferred to the income statement when the instrument is derecognised, either by maturity or sale) and at amortised cost.

Cassa Centrale Raiffeisen dell'Alto Adige uses different stage allocation criteria depending on the type of financial asset and counterparty.

The stage allocation process takes place on a monthly basis using a uniform allocation model.

On-statement of financial position and off-statement of financial position credit exposures to customers, recognised as "Financial assets measured at amortised cost", are divided into performing and non-performing loans, in accordance with Bank of Italy Circular no. 272/2008 as amended. With regard to the identification of non-performing loans, Cassa Centrale Raiffeisen dell'Alto Adige adopts a debtor-by-debtor approach. Consequently, the classification as non-performing loans includes all on-statement of financial position and off-statement of financial position exposures to the same counterparty.

Credit exposures to customers: Operational criteria for stage allocation

- **Transactions with regular performance (performing)**

In line with the provisions of IFRS 9 and with regard to on and off-statement of financial position transactions with counterparties that are performing, Cassa Centrale Raiffeisen dell'Alto Adige identifies any significant increase/decrease in credit risk in order to allocate exposures to stage 1 or stage 2. This is based on the following factors:

- Amount of relative change in lifetime PD from when the loan is disbursed to the end of the reporting period;
- Presence of forbearance measures or overdue;
- Impact of or changes in indicators signalling a change in credit risk;

- Expert ratings (Watchlist);
- Presence or last update of the rating when the loan is disbursed and at the end of the reporting period;
- Criterion for purchased or originated credit impaired (POCI).

Exposures that have experienced a significant increase in credit risk since initial recognition but do not meet the requirements to be classified as non-performing loans are allocated to stage 2. In accordance with IFRS 9, provisions for these exposures correspond to expected losses over the life of the loan (ECL [1]), determined from a current perspective (point-in-time) and also using forward-looking macroeconomic scenarios (forward-looking information).

A significant increase in credit risk is deemed to have occurred if the following conditions are met (in other words, if the conditions below are met, the exposure must be classified as stage 2):

- The probability of default (PD) of the exposure exceeded a specific and variable threshold set according to the Bank's SICR model;
- The credit line is classified as a forborne performing position;
- The exposure is more than 30 days past due, taking into account a materiality threshold of 1% of the relevant credit line;
- An expert assessment, including - but not necessarily - on the basis of defined indicators (triggers), points out that there has been a significant increase in the credit risk of the position, but that there is no basis for classifying it as non performing.
- The counterparties without rating at the time of loan disbursement are assigned the average rating class of stage 2 and, after six months, the relevant credit lines are automatically allocated to stage 2.
- The counterparties with expired rating are assigned the average rating class of stage 2 after a period of three months and, at the same time, are allocated to stage 2.
- Positions that meet the criterion for financial assets purchased or originated credit impaired (POCI) and are classified as performing exposures are allocated to stage 2.

If none of the above conditions relevant to a stage 2 classification are met, performing exposures are allocated to stage 1.

- **Non-performing transactions**

Cassa Centrale Raiffeisen dell'Alto Adige adopted the new definition of default pursuant to Article 178 of the CRR (Capital Requirements Regulation) (Regulation (EU) 575/2013), which came into force on 1 January 2021 for the purpose of allocating loans to the categories of non-performing transactions. Therefore, on initial recognition and subsequent measurements, individual transactions relating to counterparties classified in one of the categories of non-performing loans envisaged by Bank of Italy Circular no. 272/2008 are allocated to stage 3.

Therefore, exposures whose credit risk has increased significantly since initial recognition and which are therefore classified as non-performing exposures (exposures more than 90 days past due, unlikely to pay and bad loans) are allocated to stage 3.

[1] ECL stands for Expected Credit Loss.

Forborne transactions

With reference to forborne transactions classified in the accounting categories "Financial assets measured at amortised cost" (CA) or "Financial assets measured at fair value through other comprehensive income" (FVTOCI), at each measurement date, Cassa Centrale Raiffeisen dell'Alto Adige checks the correctness of the following allocations:

- allocation to stage 3 of the transactions identified as forborne non-performing exposures, as they relate to counterparties classified within one of the non-performing loan categories;
- allocation to stage 2 of the transactions identified as forborne performing exposures. These are relationships that have shown a significant increase in credit risk since the date of disbursement and, therefore, their allocation to Stage 1 is not appropriate and does not comply with the requirements of IFRS 9.

It should be noted that the allocation of forborne performing transactions to stage 2 is to be confirmed until such time as, at the end of the probation period, the transaction meets the exit criteria from the non-performing loan categories envisaged in Regulation (EU) 227/2015.

Portfolio of loans and receivables with banks and Securities portfolio: operational criteria for stage allocation

The stage allocation process also applies to on-statement of financial position and off-statement of financial position credit exposures to banks and debt securities recognised at the FTA date or at a subsequent measurement date as part of "Financial assets measured at amortised cost" or "Financial assets measured at fair value through other comprehensive income with recycling".

For the purposes of the stage allocation process, in compliance with IFRS 9, an external rating remapped on the internal scale relating to companies is allocated to:

- the performing transactions/ISIN are allocated to stage 1 and/or 2;
- the non-performing transactions/ISIN are allocated to stage 3.

Transactions for which an external rating is used and which do not have a valid rating at the time of measurement are allocated to stage 2 after a period of three months.

With regard to debt securities and loans and receivables with banks, Cassa Centrale Raiffeisen dell'Alto Adige, as in the case of loans and receivables with customers, at each subsequent measurement date, makes sure that no significant increase in credit risk has occurred with respect to the date on which the transaction was entered into or the security purchased.

In particular, Cassa Centrale Raiffeisen dell'Alto Adige is of the opinion that no significant increase in credit risk has occurred and, therefore, those transactions/ISINs for which all of the following conditions are met can be allocated to stage 1:

- they are identifiable as transactions with low credit risk; classification as an exposure with low credit risk is only possible for securities; this possibility is not available for bank exposures;
- although they are not low credit risk exposures, they have not shown a significant increase in credit risk since the date of disbursement.

On the other hand, the transactions/ISIN that do not have the characteristics mentioned in the previous points are allocated to stage 2.

According to paragraph B5.5.22 of IFRS 9, the credit risk of a financial instrument is considered low if the following conditions are met:

- the financial instrument has a low risk of default;
- the debtor has a strong capacity to meet its contractual obligations in terms of short-term cash flows;
- adverse changes in economic and business conditions may, but will not necessarily, reduce the debtor's ability to meet its contractual cash flow obligations.

On the other hand, the credit risk of a financial instrument is not considered to be low if:

- it has a low risk of loss only because of the value of the collaterals, but without which, it would not be considered low credit risk;
- it has (only) a lower risk of default than other financial instruments of the same counterparty or compared to the jurisdiction in which the debtor operates.

In accordance with paragraph B5.5.23 of IFRS 9, internal rating systems or other methods consistent with a widely accepted definition of low credit risk may be used to determine when a financial instrument has low credit risk. In particular, a financial instrument can be considered as having low credit risk if the internal rating class is comparable to the investment grade of the ECAI rating agencies.

All exposures to banks and securities are externally rated at Cassa Centrale Raiffeisen dell'Alto Adige. All ratings up to rating class 3 result in securities being classified as low credit risk exposures and consequently allocated to stage 1.

Therefore, Cassa Centrale Raiffeisen dell'Alto Adige, at the end of the reporting period and subsequent measurement dates, compares:

- A simplified delta rating approach is used for securities. In this, the rating at the time of purchase of the security (for each tranche) is compared with the rating at the end of the reporting period.
- For exposures to banks, the comparison is made using the same approach as for exposures to customers. This involves checking whether the probability of default (PD) of the exposure over its lifetime exceeded a specific and variable threshold set according to the Bank's SICR model. In order to establish the individual limit value, the SICR parameters for enterprise customers are used.

The transactions/ISINs that have shown a significant increase in credit risk are allocated to stage 2, otherwise in stage 1.

The external rating is valid for two years from the date it is taken. Three months after the maturity date, the exposure is moved to stage 2 and assigned the average rating class of stage 2.

Impairment

The impairment model according to IFRS 9 requires the allocation of all receivables and loans, cash and off-statement of financial position into three stages corresponding to different methods of calculating the losses to be recognised.

The calculation of expected credit losses (ECL) is differentiated according to the allocation of the transactions in:

- Stage 1: expected losses are measured within a one-year time horizon; all performing financial assets for which there has been no significant deterioration in creditworthiness since initial recognition are allocated to stage 1;
- Stage 2: expected losses are measured over a time horizon covering the entire life of the instrument to maturity (lifetime expected loss);

– Stage 3: expected losses are calculated over the lifetime of the financial instrument, but unlike for stage 2 positions, expected lifetime losses are calculated as part of an analytical valuation. A minimum amount (floor) of 10% of the exposure value is required for impairment loss.

Moreover, the calculation of expected losses for stage 1 and stage 2 is done both from a point-in-time perspective and by considering forward-looking information.

All risk models used for impairment purposes are tested annually for representativeness. All parameters necessary to ensure a point-in-time presentation and to incorporate forward-looking information are updated annually.

Purchased or originated credit impaired (POCI)

Purchased or originated credit-impaired financial assets refer to exposures where the credit risk is already very high at initial recognition.

In this area, there are two different types:

(i) instruments or portfolios of non-performing loans purchased on the market (purchased credit impaired - PCI);

(ii) credits disbursed by the bank to a customer already classified in stage 3 (originated credit impaired – OCI). The credit lines granted under restructuring agreements pursuant to Article 182 of the Bankruptcy Law are also classified as OCI, even if granted to newly acquired customers.

The identified OCI transaction will be classified as forborne non-performing if all conditions are met. If the 1-year cure period is exceeded, the transaction may be classified as forborne performing in stage 2. Notwithstanding the transition to performing, and even after the two-year probation period, the OCI transaction can no longer be allocated to 1, as this classification is incompatible with the need for a measurement based on the ECL lifetime.

Determining Probability of Default (PD) and Loss Given Default (LGD)

The PD and LGD parameters used to calculate expected credit losses are derived using specific quantitative models. Exposure at default (EAD), on the other hand, is determined on the basis of the type of exposure and amortisation and is not subject to further modelling.

The PD used to calculate expected credit losses for credit exposures allocated to stage 1 and 2 in accordance with IFRS 9 is determined using a mathematical model. This model is based on discreet-time non-homogeneous Markov chains that are defined separately for enterprise and private customer segments. For this purpose, the average future probability of default is estimated for each rating class. The model, in line with IFRS 9, addresses the need to provide point in time measurements and also includes forward-looking information. The PDs for the full life of loans and receivables were adjusted before the end of 2022 to reflect the recent developments in the economic environment, taking into account appropriate macroeconomic scenarios.

In order to include forward-looking information, three possible macroeconomic scenarios (positive, baseline and stress) are defined and then weighted according to their probability of occurrence. The three scenarios used are based on forecasts of relevant macroeconomic indicators (e.g. gross domestic product, unemployment rate, interest level or inflation) made by Bank of Italy and the European Banking Authority (EBA) for the years 2023, 2024 and 2025 (Bank of Italy Macroeconomic Projections September 2022 and, EBA stress test 2021 for the definition of stress scenarios). The stress scenario and the baseline scenario (i.e. the scenario under normal conditions) are calculated on the basis of explicit forecasts. On the other hand, the positive scenario is derived indirectly from a statistical distribution hypothesis.

The probabilities of the three possible macroeconomic scenarios materialising were determined through a quantitative analysis of historical fluctuations, based on an assumption of the distribution of key macroeconomic indicators. For the 2022 financial statements, the probability of occurrence of the macroeconomic scenarios was calculated as 25% for the stress scenario, 50% for the baseline scenario and 25% for the positive scenario. The lifetime PD is calculated as the weighted average of the three scenarios. The lifetime PDs, determined using macroeconomic scenarios, refer to a maximum period of 30 years.

Due to the exceptional economic context (high inflation, supply difficulties, effects of the Covid-19 pandemic), sectors particularly affected by this situation were identified for the 2022 financial statements. An additional PD surcharge was calculated for these sectors for the first three years of the lifetime PD. The surcharges cover the uncertainty in the estimation of the PD parameter and were calculated using statistical models referring to four clusters. Three clusters comprise enterprises that, based on their classification in a particular sector by ATECO code, were classified among the vulnerable sectors using statistical methods ("cluster analysis"). The private customer segment is generally considered vulnerable and is subject to a surcharge.

The identification of LGD rates for performing exposures is based on the segmentation of the counterparty (enterprise or private customers) and the credit line in combination with the collateral provided. The LGD rate for performing exposures is calculated indirectly using a workout approach that combines various credit risk factors.

For the calculation of expected credit losses, specific LGD rates are estimated in accordance with IFRS 9, taking into account forward-looking information.

A single credit conversion factor of 30% is used for off-statement of financial position exposures.

Exposures whose credit risk has increased significantly since initial recognition and which are therefore classified as non-performing exposures (exposures more than 90 days past due, unlikely to pay and bad loans) are allocated to stage 3. While the level of bad debt provisions (i.e., for adjustments and write-downs) for stage 1 and 2 exposures is determined according to the model for calculating expected losses on loans and receivables, stage 3 exposures are generally measured by Cassa Centrale Raiffeisen dell'Alto Adige on an individual basis, with a minimum amount (floor) of 10% of the (residual) exposure being set aside for impairment loss. A credit conversion factor of 30% is applied for stage 3 off-statement of financial position exposures.

Determining Probability of Default (PD) and Loss Given Default (LGD) to measure exposures that cannot be rated using the internal rating model

For exposures that cannot be rated using the internal rating model due to their characteristics, specific PD and LGD parameters are determined that are appropriate to their characteristics and risks. The main counterparties in this category are banks, exposures to government agencies and securities.

Two lifetime PD curves are used to assess these exposures; one was modelled for exposures to the government or government agencies, and the other was modelled for all banks and other counterparties that cannot be assessed using the internal model. The assignment to the curves is based on the SAE code of the counterparties. The lifetime PD curves comply with the requirements of IFRS 9 and are calculated using both point-in-time and forward-looking information.

Risk is assigned within the two lifetime PD curves using a 10-class rating scale. For this assignment, counterparties that cannot be rated using the internal model are mapped to the internal rating scale of enterprises on the basis of the external rating assigned to them by a recognised rating agency or on the basis of their characteristics.

A single LGD rate of 45% is used for exposures to banks and securities.

Refining and updating the PD model in accordance with IFRS 9 and backtesting analysis of the internal rating system

As part of the backtesting of the rating model and for the purpose of validating the internal rating model, the following factors are examined using a structured, quantitative analysis based on statistical methods:

- representativeness (population stability index);
- stability (calculation of annual migration matrices and analysis of their stability);
- performance (truth matrix, ROC (receiver operating characteristic) curve);
- calibration (binomial test);
- overriding (quota analysis and concentration of overrides);
- concentration (Herfindahl index).

The results of the retrospective adjustment carried out last year were satisfactory with respect to all of these factors. The rating model is capable of correctly classifying exposures; it shows stable results in terms of concentration, stability and calibration factors.

Use of estimates and assumptions in drawing up the financial statements

The preparation of the financial statements also requires the use of estimates and assumptions that may have a significant impact on the amounts reported in the statement of financial position and income statement, as well as on the potential assets and liabilities in the notes to the financial statements. The calculation of these estimates involves the use of all available information and the adoption of subjective evaluations, based also on past experience, to formulate reasonable assumptions in order to record management events. By their nature, the estimates and assumptions used can vary from year to year and, therefore, it cannot be ruled out that the values recorded in the financial statements may vary materially in subsequent financial statements as a result of changes in the subjective evaluations used.

The main cases where the use of subjective evaluations is most required by the company management are:

- the quantification of impairment losses of loans and receivables and other financial assets;
- the determination of the fair value of financial instruments to be used for the purposes of the notes to the financial statements;
- checking any impairment of equity investments;
- the use of internal valuation models to determine the fair value of financial instruments that are not listed on active markets;
- the quantification of post-employment benefits and provisions for risks and charges;
- estimates and assumptions made with regard to the recoverability of deferred tax assets.

The description of the accounting policies applied to the main financial statement aggregates provides the information required to identify the main subjective assumptions and evaluations used in the preparation of the financial statements.

Impact of the Covid-19 pandemic

After the end of the state of emergency due to Covid-19 on 31 March 2022, Cassa Centrale Raiffeisen dell'Alto Adige started a step-by-step process to ease the restrictions and containment measures related to the Covid-19 pandemic, in parallel with the lifting of the obligations by the government. Even in the face of recurring waves of infection, Cassa Centrale Raiffeisen dell'Alto Adige maintained a number of key recommendations for prudent and conscious behaviour on the part of employees and customers. These recommendations were then gradually reduced or eliminated altogether by the end of the year.

The use of Smart Working was confirmed as an integral part of a new way of working, based on greater personal responsibility and a better work-life balance. Cassa Centrale Raiffeisen dell'Alto Adige sees this new working method as a permanent and fixed component of the post Covid-19 era. This includes technology investments to support the structured use of flexible working arrangements based on alternating office-based and remote working.

During 2022, Cassa Centrale Raiffeisen dell'Alto Adige closely monitored the impact of the Covid-19 pandemic on the lending and liquidity of its customers, for example by promptly monitoring the positions of customers who had taken advantage of the various Covid-19-related support measures provided by the Italian State, the Autonomous Province of Bolzano, the Italian Banking Association and the measures offered by the Bank. As regards loans and receivables with customers outstanding as at 31 December 2022 and for which support measures were granted in connection with Covid-19, please refer to Table 4.4a in Part B of these notes to the financial statements; the corresponding net impairment losses are instead shown in Table 8.1a in Part B of these notes to the financial statements.

In terms of liquidity, there was no significant negative impact in 2022 as a result of the Covid-19 pandemic or the end of the state of emergency.

Benchmark Regulation (EU)

With Regulation no. 2016/1011 of 8 June 2016, the European Union launched the reform of the benchmark indexes for determining interest rates. The purpose of this regulation is to create a single regulatory basis for the entire financial sector. Therefore, for financial and banking contracts, transaction-based interest rates or risk-free interest rates are to be used as benchmark indexes instead of the interbank interest rates previously used. The regulation also provides for valid replacement clauses in the financial or banking contracts and agreements used (fallback rule). Such clauses must specify an alternative benchmark index to be used if the original benchmark index is unavailable or has changed significantly.

In order to be able to implement these new provisions, the financial and banking contracts used within Cassa Centrale Raiffeisen dell'Alto Adige were checked with respect to the benchmark indexes for determining interest rates and replacement clauses.

The Bank has established a contingency plan for the replacement of a reference value, which describes how the Bank should proceed if the reference value is no longer available or has changed significantly. The fallback clause is currently being implemented in banking contracts.

TLTRO III refinancing operations and related accounting

<u>Operations</u>

TLTROs (targeted longer-term refinancing operations) are loans granted by the ECB to European banks to support the ECB's economic policy objectives, in particular by encouraging lending to enterprises and private and thereby stimulating the economy.

These operations provides participating banks with access to refinancing facilities with predetermined start and maturity dates, divided into 10 tranches (quarterly payments from September 2019 to December 2021). The natural duration of the loan is three years, with the possibility of full or partial early repayment.

The TLTRO III refinancing operations are governed by the ECB's decision of July 2019 and its subsequent amendments of September 2019, March and April 2020, January and April 2021 and finally 27 October 2022.

While all the decisions taken in 2019, 2020 and 2021 were part of the ECB's expansionary monetary policy, the latter has since been replaced by a restrictive monetary policy due to the strong inflationary tendencies in the Eurozone, especially after the outbreak of the war in Ukraine. The amendment to the TLTRO III regulation of October 2022 was designed with this in mind.

This amendment, together with the four increases in the ECB benchmark rates in 2022, which form the basis for determining the interest rates for TLTRO operations, significantly worsened the conditions for TLTRO III financing for the participating banks and thus also for Cassa Centrale Raiffeisen dell'Alto Adige.

In August 2019, Cassa Centrale Raiffeisen dell'Alto Adige S.p.A. participated in the TLTRO III operations as the lead bank of the TLTRO III group together with the other participating banks of the Raiffeisen cooperative IPS (RIPS).

Each bank was free to determine the amount of the loan it will use for each tranche, subject to its own maximum amount. The maximum amount was determined based on the stock of loans eligible for these operations on 28 February 2019 in accordance with the relevant regulations.

The corresponding parameter is 55% of the stock of eligible loans, which means that Cassa Centrale Raiffeisen dell'Alto Adige was subject to a lending limit of € 7,229,782 thousand for TLTRO III operations.

The following table shows the amount of financing that Cassa Centrale Raiffeisen dell'Alto Adige, as leading bank of the TLTRO III group, used at the beginning of each tranche, the corresponding maturities, any early repayments (ER) and the amounts used as at 31 December 2022:

Tranche	Currency	Initial amount*	ER date	ER amount*	ER date	ER amount*	Amount 31/12/2022*	Maturity date
1	25/09/2019	34,500					past due	28/09/2022
2	18/12/2019	158,160					past due	21/12/2022
3	25/03/2020	122,000					122,000	29/03/2023
4	24/06/2020	1,988,720	23/11/2022	140,000	21/12/2022	336,000	1,512,720	28/06/2023
5	30/09/2020	285,000					285,000	27/09/2023
6	16/12/2020	201,500			21/12/2022	2,000	199,500	20/12/2023
7	24/03/2021	265,000	23/11/2022	15,000	21/12/2022	8,000	242,000	27/03/2024
8	24/06/2021	239,500			21/12/2022	2,000	237,500	26/06/2024
9	29/09/2021	40,630					40,630	25/09/2024
10	22/12/2021	198,800					198,800	18/12/2024
Total		**3,533,810**	**23/11/2022**	**155,000**	**21/12/2022**	**348,000**	**2,838,150**	

* In thousand of €

Most of this financing was transferred to the Raiffeisen member banks. The remaining amount at Cassa Centrale Raiffeisen dell'Alto Adige is € 667,800.

Definition of conditions:

The economic conditions of these refinancing operations have been adapted several times by the Governing Council of the ECB to the current economic situation in the Eurozone. TLTRO III operations are variable rate operations, indexed to the ECB benchmark rates (the main refinancing rate and the interest rate on central bank deposits).

In particular, incentive mechanisms to encourage lending to enterprises and private were included in the definition of conditions.

The duration of the TLTRO III operation is divided into four periods with regard to the applied interest rate:

(a) 1. Special interest rate period 24/06/2020 -23/06/2021, during which an additional bonus of 0.5% is granted

(b) 2. Special interest rate period 24/06/2021 -23/06/2022, during which an additional bonus of 0.5% is granted

(c) Normal interest rate period for all other days of the duration of the loan

(d) Final interest rate period for all other days of the duration of the loan from 23 November 2022 to the maturity date.

The conditions set for the participating banks depend on the development of the eligible loans, which is determined by comparing the development of the periods 01/10/2020 -31/12/2021(second special reference period), 01/03/2020 -31/03/2021 (first special reference period) and 01/04/2019 -31/03/2021 (second reference period) with that of the period 01/04/2018 -31/03/2019 (first reference period). At the same time, thresholds for the achievement of the targets were set for both special reference periods and for the second reference period.

Since Cassa Centrale Raiffeisen dell'Alto Adige was able to achieve the targets for eligible loans in the first special reference period and therefore, according to the TLTRO III regulation, the achievement of the targets in the second reference period is no longer relevant, two scenarios remain regarding the applicable conditions for TLTRO III financing (target achieved/target not achieved in the second special reference period).

This incentive mechanism makes it possible to assign a corresponding interest rate to each tranche of the interest rate period. The latter is linked to different levels of target achievement and is indexed to the ECB benchmark rates.

Cassa Centrale Raiffeisen dell'Alto Adige met the targets for eligible loans in the first special reference period, so meeting the targets in the second reference period is no longer relevant, while it failed to meet the targets in the second special reference period.

Based on the weighting of the days of the normal interest rate period, the special interest rate periods and the final interest rate period with the days of the duration of the loan, an average interest rate is obtained for each tranche as shown in the following table:

Tranche	1	2	3	4	5	6	7	8	9	10
Average interest rate	-0.82%	-0.74%	-0.53%	-0.33%	-0.07%	0.15%	0.42%	0.68%	0.95%	1.19%

By way of comparison and for information only, the table below shows the interest rates applicable prior to the October 2022 regulatory change mentioned above and prior to the benchmark rate increases in 2022:

Tranche	1	2	3	4	5	6	7	8	9	10
Average interest rate	-0.83%	-0.83	-0.83	-0.83	-0.79	-0.75	-0.71	-0.67%	-0.62%	-0.58%

Accounting and reference assumptions

In the Agenda Decision of February 2022, IFRS IC examined the accounting methods for TLTRO III ("Targeted Longer Term Refinancing Operations"), with a special reference to the applicability of IFRS 9 or IAS 20 to these operations, the accounting methods for interests in "special interest periods" and the accounting treatment of changes in estimates. IFRS IC did not take a final position on the accounting treatment, but provided some considerations that an entity should evaluate in determining the accounting methods of the operation in question and recommended appropriate disclosure in accordance with the criteria in IAS 1 and IFRS 7.

As described in the previous paragraph, the accounting methods for TLTRO III ("Targeted Longer Term Refinancing Operations – third series"), with a special reference to the applicability of IFRS 9 or IAS 20 to these operations, the accounting methods for interests in "special interest periods" and the accounting treatment of changes in estimates, no conclusive considerations were expressed by the IFRIC in the Final Agenda Decision published in February 2022. Therefore, application procedures focused on the disclosure in the notes to the financial statements of the accounting methods used.

Cassa Centrale Raiffeisen dell'Alto Adige did not evaluate the TLTRO III refinancing and, in particular, the conditions for it, such as subsidies or other public administration contributions, and therefore applied IFRS 9 exclusively.

This approach is based on the assumption that the ECB acts as a market operator and that every bank in the Eurozone has access to these refinancing operations under these conditions.

The TLTRO III financing and the corresponding accrued interest are included in asset item 40a "Loans and receivables with banks" and in liability item 10 a) "due to banks", while the interest on this transaction is recognised as interest income in item 10 and as interest expenses in item 20 of the income statement. The effective interest rate method was used to recognise the interest income and expense arising from the refinancing obtained from the ECB in the 2022 financial statements. It should be noted that the above current interest rates used to calculate the effective interest rates and amortised cost as at 31 December 2022 are derived from the ECB benchmark rates in force as at 31 December 2022 (main refinancing rate of 2.5% and central bank deposit rate of 2%).

This resulted in interest income of € 15,132 thousand and interest expense of € 8,240 thousand for 2022 for Cassa Centrale Raiffeisen dell'Alto Adige.

Impacts on own funds attributable to the first-time adoption of IFRS 9

With Regulation (EU) no. 2395 of 12 December 2017, Regulation no. 577/2013 (known as CRR) was updated through the inclusion of the new Article 473 bis "Introduction of IFRS 9", containing the transitional provisions on the effects of the first-time adoption of IFRS 9. The objective of the new rules is to defer the impact on equity deriving from the use of the new impairment model on all financial instruments. The adjustment of common equity tier 1 capital (CET 1) is planned for the period between 2018 and 2022, including in the calculation of CET 1 the impact of the increase in provisions for expected losses to the extent indicated below for each of the five years of the transition period:

2018: 95%, 2019: 85%, 2020: 70%, 2021: 50% e 2022: 25%.

Regulation (EU) no. 873/2020 introduced an additional transitional provision on value adjustments of performing loans (stage 1 and 2). Therefore, for 2022, these value adjustments cannot be deducted 100% from own funds.

Cassa Centrale Raiffeisen dell'Alto Adige S.p.A. decided to make use of the new transitional regime of Art. 473. bis., as defined in Regulation (EU) 2020/873.

Moreover, in order to ensure a like-for-like comparison, banks using the transitional arrangements must provide appropriate disclosures on own funds, capital absorption and prudential ratios.

A.2 MAIN ITEMS IN THE FINANCIAL STATEMENTS

Assets

Item 10. Cash and cash equivalents

This item includes legal tender banknotes and coins as well as demand deposits with the Bank of Italy. Foreign currency balances are translated into euro at the exchange rate prevailing at the end of the reporting period.

As from the financial statements as at 31 December 2021, this item also includes loans and receivables with banks at sight.

Item 20. Financial assets at fair value through profit or loss (FVTPL)

This item includes all financial assets not classified in the portfolio "Financial assets at measured fair value through other comprehensive income" and in the portfolio "Financial assets measured at amortised cost".

However, for certain investments in equity instruments that would otherwise be measured at fair value through profit or loss, upon initial recognition an entity may make an irrevocable choice of presenting subsequent changes in fair value in other comprehensive income.

A financial instrument is measured at fair value through profit or loss (FVTPL) if:

- it is given a business model (other -trading) whose objective is achieved through the sale of financial instruments;
- the fair value option (FVO) is applied;
- it fails the SPPI test.

If the fair value of a financial asset becomes negative (e.g. for derivative contracts), this asset is recorded under item 20 "Financial liabilities held for trading".

Item 20. a) Financial assets held for trading

Financial assets held for trading can consist of debt securities, equity instruments, loans, OEIC units and derivatives.

<u>Classification</u>

Financial assets are classified as held for trading if:

- they are mainly acquired to be sold in the short term;
- they form part of a portfolio of clearly identified and jointly managed financial instruments for which a short-term profit strategy is pursued;
- they represent a derivative, except for those used for hedging purposes. Derivatives that are recognised separately from the host contract when all the prescribed conditions for separation are met are also taken into account.

Item 20. c) Financial assets mandatorily measured at fair value

Classification

This category includes financial assets mandatorily measured at fair value (debt securities, equity instruments, investment fund units not held for trading and loans) that do not meet the requirements for classification at amortised cost or at fair value through other comprehensive income and that are not held for trading.

For the sub-items a) Financial assets held for trading, b) Financial assets designated at fair value and c) Financial assets mandatorily measured at fair value, the following accounting criteria are applied:

Initial recognition

The FVTPL financial assets are recognised in the financial statements when Cassa Centrale Raiffeisen dell'Alto Adige becomes a contracting party. For debt securities, investment funds and equity instruments this corresponds to the settlement date, for loans to the disbursement date, and for OTC derivative contracts to the date the contract is entered into.

FVTPL financial assets are initially recognised at fair value, which is generally the consideration paid by the bank, less transaction costs that are recognised immediately in profit or loss when directly attributable to the financial asset.

Derivative instruments held for trading are recognised on date the contract is signed (trade date) and measured at the value of the consideration paid.

Measurement

After initial recognition, FVTPL financial assets are measured at their fair value at the end of each reporting date. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and under current market conditions. For the purposes of determining fair value, reference is made to the three-level fair value hierarchy (hereinafter also referred to as "stage") under IFRS 13. The assignment to one of the three levels of fair value is not based on subjective parameters as the valuation techniques used (pricing models) are mainly based on observable market inputs. This minimises the use of unobservable market inputs.

The valuation technique used for a financial instrument is maintained over time. It is changed only as a result of significant changes in market conditions or in the subjective conditions of the issuer of the financial instrument.

For instruments quoted in active markets, fair value corresponds to the price published at the end of the reporting period, i.e. the market price (level 1).

For instruments not quoted in active markets, fair value is determined by means of valuation techniques based on data directly or indirectly observable on the market (level 2).

On the other hand, financial instruments in fair value level 3 are measured using valuation techniques based on unobservable market inputs. Unobservable market inputs are used to estimate fair value where observable market inputs are not available. These inputs reflect the assumptions, including risk assumptions, that market participants would consider in pricing the asset or liability.

Derecognition

FVTPL financial assets are derecognised when the contractual rights to the cash flows from the assets expire or when the financial asset has been sold by transferring substantially all of the related risks and benefits.

Recognition of income components

The income components of the financial instruments in asset item 20 are recognised in profit or loss as follows:

- interest income and expenses are recognised in items 10 and 20 of the income statement;
- dividends relating to shares or units held are shown under item 70 "Dividends and similar income" of the income statement;
- realised gains and losses as well as valuation gains and losses on financial assets classified under item 20 a) are recognised in profit or loss under item 80 "Profits (Losses) on trading"; realised gains and losses as well as the measurement result of financial assets classified in item 20 c) are recognised in profit or loss in item 110 b) "Profits (Losses) on other assets and liabilities measured at fair value through profit or loss, sub-item b) other financial assets mandatorily measured at fair value".

Item 30. Financial assets measured at fair value through other comprehensive income (FVTOCI)

Classification

This item includes all financial assets (debt securities, equity instruments and loans) classified in the portfolio measured at fair value through other comprehensive income (FVTOCI).

A financial asset is measured at fair value through other comprehensive income if:

- it is characterised by a "hold to collect and sell" business model, with the objective of both collecting contractual cash flows and selling financial assets;
- the contractual terms of the business result in cash flows that represent only payments of principal and interest calculated on the residual principal at precise intervals, i.e. the cash flow requirements are met (SPPI test).

There are two types of financial assets measured at fair value through other comprehensive income:

- with "recycling" in profit or loss (e.g. debt securities not held for trading);
- without "recycling" in profit or loss (e.g. equity instruments not held for trading, for which the equity option was exercised)

The classification as FVTOCI with recycling implies that changes in fair value are recognised in equity and pass to profit or loss only in case of sale; On the other hand, the classification without recycling implies that changes in fair value due to sale also pass to equity.

Initial recognition

FVTOCI financial assets are initially recognised at fair value, which is generally the cost of the transaction adjusted for any directly attributable costs and revenues.

These financial instruments are recognised in the financial statements when the bank becomes a contracting party; this is the settlement date for debt securities and equity instruments, the disbursement date for loans and the contract date for OTC derivatives.

Without prejudice to the exceptions envisaged by IFRS 9 for the reclassification and simultaneous redefinition of the business model, transfers from the FVTOCI portfolio to other portfolios and vice versa are not possible.

Measurement

After their initial recognition, financial assets measured at fair value through other comprehensive income are measured at their fair value, according to the criteria illustrated for assets held for trading under asset item 20. In the case of unquoted equity instruments for which there is no reliable fair value measurement, the purchase price is considered to be the best estimate of fair value and is used as such.

Financial instruments measured at fair value through other comprehensive income are subject to the three-step impairment model in accordance with IFRS 9, as described below for asset item 40.

Derecognition

Financial assets can be derecognised only when the contractual rights to the cash flows from the assets expire or when the financial asset is sold by transferring substantially all of the related risks and benefits.

Recognition of income components

The income components of assets recorded under asset item 30 are recognised as follows:

- interest income and expenses are recognised in profit or loss under items 10 and 20. The effective interest rate method takes into account all taxes paid between the parties, transaction costs and any premium or discount paid;
- dividends are recorded under item 70 "Dividends and similar income" of the income statement;
- Net impairment losses for credit risk of FVTOCI financial assets are recognised in profit or loss under item 130 b) "Financial assets at fair value through other comprehensive income";
- realised gains and losses generated by the sale of FVTOCI financial assets with recycling are recognised in profit or loss under item 100 b) "Profits (Losses) on sale or repurchase of: financial assets at fair value through other comprehensive income";
- the net gains or losses from the purchase or sale of equity instruments without recycling are recognised in income-related reserves, i.e. in equity and not in profit or loss.

Item 40. Financial assets measured at amortised cost:

a) Loans and receivables with banks

b) Loans and receivables with customers

Classification

A financial asset is measured at amortised cost if:

- it is characterised by a "hold to collect" business model, the objective of which is to collect contractual cash flows;
- the contractual terms of the business result in contractual cash flows that represent only payments of principal and interest calculated on the residual principal (known as SPPI compliant flows).

In particular, the following instruments are recognised in this financial statement item:

- loans and receivables in various technical forms to banks that fulfil the conditions set out in the previous paragraph;
- loans and receivables in various technical forms to customers that fulfil the conditions set out in the previous paragraph;

– debt securities that fulfil the conditions set out in the previous paragraph.

Initial recognition

In this item, debt securities are initially recognised on the settlement date and loans and receivables from banks and customers on the date of their disbursement or purchase, or when the customer obtains the right to receive the contractually agreed amounts.

Loans and receivables are initially recognised at their fair value, which is normally the amount disbursed or the consideration paid for their purchase, plus/minus the revenues/costs directly attributable to the transaction.

However, this value does not include costs that are reimbursed directly by the bank and customers or that are considered as internal administrative costs.

Measurement

Measurements after initial recognition are made on the basis of the amortised cost principle using the effective interest rate method.

The amortised cost of a financial asset or financial liability is the amount at which a financial asset or financial liability is measured at initial recognition less principal repayments, plus or minus, on an effective interest rate basis, the cumulative amortisation of any difference between that initial amount and the amount at maturity and, for financial assets, adjusted for any impairment loss.

The effective interest rate method is the method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or expense over its amortisation period.

The effective interest rate is the rate that exactly discounts estimated future payments or receipts over the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or the amortised cost of a financial liability.

When calculating the effective interest rate, the entity must estimate the expected cash flows taking into account all contractual terms of the financial instrument (for example, advance payment, extension, a call option and similar options), but must not consider expected credit losses.

The calculation includes all expenses or income paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Transaction costs (or fee and commission expense) are the marginal costs directly attributable to the acquisition, issue or disposal of a financial asset or liability. A marginal cost is a cost that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

An expense or income can be considered as a transaction cost and therefore be added to or deducted from the consideration paid (initial recognition value) only if:

– it is directly attributable to the transaction;

– it is known at the time of the transaction.

Transaction costs include fees and commissions paid to agents (including employees acting as commercial agents), consultants, brokers and dealers, contributions levied by regulatory bodies and stock exchanges, taxes and duties. Transaction costs do not include premiums or discounts, financing costs or internal administrative or management costs.

The amortised cost method is not applied to short-term loans that have been granted up to maturity or with no indication of a maturity date, in view of the fact that for such loans the effect of discounting is normally not significant.

With regard to the determination of impairment losses, please refer to the chapters on stage allocation and impairment of financial assets in the general part on accounting policies.

<u>Sales</u>

IFRS 9 requires that the exposures included in the portfolio of "Financial assets measured at amortised cost" be sold when certain materiality or frequency thresholds are reached, when they are nearing maturity, when there is an increase in credit risk or when exceptional circumstances arise. In this regard, it should be noted that the sales transactions of debt securities carried out by the bank in 2022 were in compliance with the materiality and frequency thresholds set out in the policy on the classification and measurement of financial instruments. During 2022 and up to the date of preparation of these financial statements, there was no change in the eligibility criteria for sales of financial assets managed under the "HTC" business model. Finally, it should be noted that the management of the debt securities classified in the "HTC" portfolio continues in line with the decisions taken in previous years.

<u>Derecognition</u>

These financial assets are derecognised when the risks and benefits related to their ownership are substantially transferred and no control is retained over them. This item is generally derecognised when the loan is repaid in full or the financial instrument is extinguished.

<u>Recognition of income components</u>

The income components of these financial assets are recognised as follows:

- interest and similar income and expenses are recognised in profit or loss under items 10 "Interest and similar income" and 20 "Interest and similar expense", interest calculated using the effective interest rate method is recognised under the sub-item "Interest income calculated with the effective interest method";
- gains/losses from net impairment losses for credit risk of financial assets are recognised in item 130 a) of the income statement "Net impairment losses of financial assets measured at amortised cost". If the reasons for the write-down of the financial assets no longer apply, the respective write-backs cannot exceed the amount of the previously recognised write-downs;
- the net gain or loss on the sale or repurchase of financial assets is recognised in item 100 a) of the income statement "Profits (Losses) on sale or repurchase of financial assets measured at amortised cost";
- the net gain or loss on amendments to contracts without derecognition of financial assets is recognised in item 140 of the income statement "Gains (losses) from amendments to contracts without derecognition".

Item 50. (Liability item 40) - Hedging derivatives

<u>Classification</u>

This item includes derivative financial instruments used for hedging purposes that have a positive/negative fair value at the end of the reporting period. Cassa Centrale Raiffeisen dell'Alto Adige applies the transitional provisions of IFRS 9 in relation to hedge accounting, i.e. it applies the hedge accounting requirements of IAS 39 instead of the requirements of IFRS 9 chapter 6.

The hedging transactions aim at neutralising the potential losses on a particular financial instrument or group of financial instruments attributable to a certain risk (e.g. rise in interest rates) by means of gains on the hedging instruments should that particular risk actually occur. Hedging transactions are carried out exclusively by entering into financial derivative contracts with independent banking counterparties.

Hedging transactions refer to individual financial instruments. The transaction is classified as a hedge if the bank's risk management objectives and hedging strategy have been established and if there is a formal and documented designation of the relationship between the hedged instrument and the hedging derivative, and if that relationship is highly effective both at the time the hedge begins and throughout its life.

A hedge is considered to be highly effective if changes in the fair value of the hedged instrument are offset by changes in the fair value of the hedging derivatives and this in accordance with the company's original hedging strategy documented for the specific hedge transaction. More precisely, a hedge is considered to be effective when changes in the fair value of the hedging derivative neutralise changes in the fair value of the hedged item within a range of 80%-125%.

The effectiveness of the hedge is assessed at the beginning of the hedge and on an ongoing basis during the life of the hedge and, in particular, at each annual or interim reporting period, using:

- prospective tests that justify the application of hedge accounting and demonstrate the expected effectiveness of the hedge in future periods;
- retrospective tests that show the degree of effectiveness of the hedging achieved in the period to which it refers.

If the tests do not confirm the effectiveness of the hedge, the hedge accounting is discontinued as described above, and the hedging instrument is reclassified as a financial asset or liability held for trading.

Hedging transactions are also no longer classified as such if:

- the hedging transaction is cancelled;
- in case of sale, expiry or withdrawal from the hedging transaction;
- the hedged element is sold, expires or is reimbursed;
- the hedging transaction is interrupted.

Initial recognition

Hedging derivatives are initially recognised at fair value on the settlement date.

Measurement

Fair value hedging derivatives, after initial recognition, are measured at fair value through the recognition in profit or loss of changes in fair value, referring both to the hedged item (for the portion attributable to the hedged risk only) and to the hedging derivative. In this way, the change in the fair value of the hedged item is substantially offset by the opposite change in the fair value of the hedging derivative.

Recognition of income components

The net result of hedging transactions, i.e. the hedged instrument and the hedging derivative, is recognised in item 90 of the income statement "Net hedging income (expense)". Interest on hedging derivative contracts is recognised as interest income or interest expense in items 10 and 20 of the income statement, respectively.

Derecognition

Hedging transactions are derecognised if the bank has transferred all risks and benefits related to the financial asset.

Item 70. Equity Investments

Classification

This item includes the equity investments of Cassa Centrale Raiffeisen dell'Alto Adige in wholly- and jointly-controlled companies, as well as those subject to significant influence.

Initial recognition

Initial recognition is at purchase cost, which is considered to be the fair value, and occurs on the settlement date or the date of reclassification of the equity investment.

Measurement

After initial recognition, equity investments are recognised on the basis of the portion of equity. The carrying amount of the equity investment is tested for impairment by comparing its estimated realisable value with its carrying amount whenever there is an indication that the equity investment may be impaired.

Derecognition

Equity investments are derecognised when the assets in question are sold by transferring substantially all the relevant risks and benefits.

Recognition of income components

The net gains and losses on equity investments are recognised in item 220 of the income statement "Net gains (losses) on equity investments". This item also includes any impairment losses or reversals of impairment losses of equity investments.

The payment of dividends received during the year are deducted directly from this financial statement item.

Item 80. Property, equipment and investment property

Classification

This financial statement item recognises property, equipment and investment property used in the business under IAS 16 and property, plant and equipment held for investment purposes under IAS 40.

In particular, the item includes land, buildings, plant and equipment, furniture and fixtures, and other equipment. Assets used in the business have physical substance and are held to be used in the production or provision of goods and services or for administrative purposes. These assets are expected to be used for more than one financial year.

This item also includes rights of use on property, plant and equipment deriving from leases in accordance with IFRS 16.

Initial recognition

Initial recognition of property, equipment and investment property takes place when they are purchased at cost. The purchase cost includes all the expenses directly attributable to the entry into operation of the asset.

In accordance with IFRS 16, for leases, the right of use acquired is recognised at the inception of the lease, i.e. when the related financial obligation (lease payments or rent) is recognised.

Cassa Centrale Raiffeisen dell'Alto Adige used the option to revalue the property (company headquarters) on first-time adoption of the international accounting standards (deemed cost). The amount of the revaluation was determined on the basis of a prudent estimate of the property made by an external and independent expert. In this way, the property is recorded at market value. Extraordinary maintenance costs, which involve an increase in future economic benefits, are recognised directly to property, equipment and investment property. All other maintenance costs incurred in subsequent years are recognised in profit or loss in the year in which they are incurred under item 160.b) "Other administrative expenses", if they refer to property, equipment and investment property used in the business.

Measurement

Subsequently, Cassa Centrale Raiffeisen dell'Alto Adige applies the cost model in accordance with paragraph 30 of IAS 16 to these assets. After initial recognition, i.e., the property, equipment and investment property is recorded at purchase cost, net of accumulated depreciations and impairment. For properties held for investment purposes in accordance with IAS 40, Cassa Centrale Raiffeisen dell'Alto Adige uses the option in accordance with paragraph 56 of IAS 40, i.e. it measures all of its properties held for investment purposes using the cost method in accordance with IAS 16. However, this does not apply to properties held for sale in accordance with IFRS 5 (Non-current assets held for sale and discontinued operations) and recognised under item 110 of assets.

This item includes, among other things, the buildings and land of Cassa Centrale Raiffeisen dell'Alto Adige. Property, equipment and investment property in accordance with IAS 16 and IAS 40 are depreciated on a straight-line basis, and the expected useful life of the asset within the enterprise is considered to be its useful life. Land is not depreciated as it has an indefinite useful life.

With regard to rights of use recognised in accordance with IFRS 16, the same principles in force for property, equipment and investment property are used for amortisation purposes.

Impairment

With regard to impairment, Cassa Centrale Raiffeisen dell'Alto Adige operates in accordance with IAS 36. More precisely, property, equipment and investment property are periodically assessed by Cassa Centrale Raiffeisen dell'Alto Adige by comparing the recoverable amount with the carrying amount of the cash-generating unit. The recoverable amount is considered to be the higher of the fair value less costs to sell and the value in use of the cash-generating unit.

If the recoverable amount of the cash-generating unit is less than its carrying amount, the corresponding difference is immediately recognised in profit or loss as an impairment loss.

With regard to rights of use recognised in accordance with IFRS 16, the same principles in force for property, equipment and investment property are used to determine impairment.

Derecognition

Property, equipment and investment property are derecognised from the financial statements only if Cassa Centrale Raiffeisen dell'Alto Adige has lost all the relevant risks and benefits, i.e. if no economic benefits are expected from the asset, if the asset is no longer at the disposal of Cassa Centrale Raiffeisen dell'Alto Adige or if the right to use the asset has expired.

Recognition of income components

The income components of these financial assets are recognised as follows:

- depreciation due to use and any impairment losses are recognised in item 180 of the income statement "Depreciation and net impairment losses on property, equipment and investment property";
- net gains and losses on sale are recognised in profit or loss under item 250 "Net gains (losses) on sales of investments";
- gains and losses from the fair value measurement of property, equipment and investment property are recognised in item 230 of the income statement "Net result of property, plant and equipment and intangible assets at fair value".

The calculation of depreciation due to use is based on the estimated useful life of each property, equipment and investment property, which are grouped by homogeneous classes for this purpose. Depreciation is on a straight-line basis.

Land and work of art are not depreciated as they have an indefinite useful life.

Investment property

This investment property is held by Cassa Centrale Raiffeisen dell'Alto Adige to increase rental income and/or invested capital. The criteria for initial recognition, measurement and derecognition of this investment property are the same as for investment property used in the business.

Depreciation due to use and any impairment losses are recognised in item 180 of the income statement "Depreciation and net impairment losses on property, equipment and investment property" in proportion to the estimated useful life of the asset in question.

Investment property is impaired when there is evidence of impairment loss and the carrying amount does not fully cover the potential net realisable value. In this case, the required impairment is recognised in profit or loss under item 180 "Depreciation and net impairment losses on property, equipment and investment property".

If the value of a previously impaired asset is reinstated because the reasons for its impairment no longer exist, the new carrying amount, net of depreciations, cannot exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

Item 90. Intangible assets

Classification

Intangible assets are assets that the bank uses for several years or indefinitely and from which it expects to derive future economic benefits. Intangible assets consist mainly of expenses for the purchase of software. Costs capitalised in previous periods have been retained and their amortisation continued.

This item also includes rights of use on intangible assets deriving from leases in accordance with IFRS 16.

Initial recognition

Intangible assets are recognised at purchase cost, which includes the purchase price and all directly attributable additional expenses, only if it is probable that the future economic benefits attributable to the asset will materialise and if the cost of the asset can be measured reliably. Various factors are considered when estimating the useful life, such as the expected period of use, technical, commercial or other kind of deterioration, the dependence of the useful life of the asset on the useful life of other assets, etc.

If a future value in use cannot be determined, the costs of intangible assets are recognised directly in profit or loss in the year in which they are incurred. Any subsequent expenses are capitalised only if they increase the value and/or the expected economic benefits of the intangible asset.

Measurement

After initial recognition, intangible assets are recorded at purchase cost, net of accumulated amortisation and impairment. The amortisation of intangible assets with a definite useful life is calculated according to their useful life.

At the end of each reporting period or interim reporting period, intangible assets are tested for impairment (impairment test). If there is objective evidence that an individual asset may be impaired, this impairment is estimated and recognised in item 230 of the income statement "Net result of property, equipment and investment property and intangible assets at fair value". In determining the impairment, the carrying amount of the asset is compared with its net realisable value by deducting any costs to sell directly attributable to the property, equipment and investment property and its value in use, which is understood to be the present value of the future cash flows expected to arise from the asset as a result of its continued use. If the value of a previously impaired asset is reinstated because the reasons for its impairment no longer exist, the new carrying amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognised for the intangible asset in prior periods.

Derecognition

An intangible asset is derecognised when it is sold or when no economic benefits are expected to arise from its use or sale.

Recognition of income components

Depreciation due to use and impairment losses are recognised in item 190 of the income statement "Amortisation and net impairment losses on intangible assets".

The gains and losses on sale of intangible assets are recognised in profit or loss under item 250 "Net gains (losses) on sales of investments".

For intangible assets that are not amortised, any impairment losses are recognised in item 240 of the income statement "Goodwill impairment losses".

Item 100. Tax assets

- **current**
- **deferred tax assets**

Item 60 Tax liabilities

- **current**
- **deferred tax liabilities**

Tax receivables and payables are shown in the statement of financial position under item 100 "Tax assets" and item 60 "Tax liabilities", respectively. Tax assets and liabilities include current taxes, deferred tax assets and deferred tax liabilities for the year in question.

Income taxes are calculated in accordance with national tax regulations and applying the tax rates in force. The amount of tax assets/liabilities also includes the reasonably estimated risk arising from outstanding tax disputes. If there are taxable temporary differences, the relevant tax assets or liabilities are recognised. No deferred taxes are provided for in relation to valuation reserves subject to tax deferral as it is currently considered that the conditions for future taxation have not been met. Deferred tax assets are recognised using the balance sheet liability method and on the assumption that there is reasonable certainty of their recovery in future years. Tax assets and liabilities are normally recognised in profit or loss, unless they arise from transactions whose effects are recognised directly in equity. In the latter case, tax assets and liabilities are recognised directly in equity.

Item 120. Other assets (Item 80. of Liabilities Other liabilities)

All assets and liabilities that cannot be classified under other statement of financial position items are recognised under these items. They are measured at their actual value on the date of preparation of the financial statements. Examples include assets such as gold, precious metals, receivables from services, accruals deferrals, receivables from suppliers, receivables from withholding taxes and amounts to be processed, provided they are of low value. Amounts under this item are normally recognised at their nominal value, provided the measurement shows that the latter is realisable.

With Italian Decree Laws no. 18/2020 and no. 34/2020, tax incentives for private and enterprises for investments and other expenses were introduced into Italian law. Private and enterprises have the option of using these benefits in the form of tax credits or selling the tax credits to third parties, including banks. Cassa Centrale Raiffeisen dell'Alto Adige took advantage of these opportunities and offered its customers the purchase of such tax credits.

Since these tax credits are not attributable to any accounting principle, they are recognised in this financial statement item at amortised cost in accordance with a recommendation of the supervisory authorities Bank of Italy, Consob and IVASS. Cassa Centrale Raiffeisen dell'Alto Adige intends to keep the acquired tax credits until they expire. This applies provided it can offset tax credits against its tax liabilities.

Liabilities

Item 10. Financial liabilities measured at amortised cost:

a) **Due to banks**

b) **Due to customers**

c) **Securities issued**

Classification

Financial Statement items 10 a) and 10 b) include financial liabilities to banks and customers in any technical form measured at amortised cost (deposits, current accounts, loans). Item 10 c) includes securities issued measured at amortised cost.

This item also includes funds made available by the State or other public bodies for specific statutory purposes (e.g. third-party funds under management), provided that interest income and expenses have been agreed for the lending institution.

This also includes funds made available by public institutions with which Cassa Centrale Raiffeisen dell'Alto Adige takes a risk. Finally, this item includes securities issued measured at amortised cost (e.g. savings bonds) and, in particular, securities expired not yet repaid.

Initial recognition

The financial liabilities are recognised in the financial statements when Cassa Centrale Raiffeisen dell'Alto Adige becomes a party to the financial instrument. Initial recognition takes place at the value that normally corresponds to the consideration received from the bank. The initial recognition value also includes any transaction costs and revenues if they are directly attributable to the liability.

Measurement

After initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method as described in asset item 40. Short-term liabilities continue to be recognised at the value of the consideration received.

Derecognition

Financial liabilities are derecognised when they are extinguished, i.e. when the liability is settled by payment to the creditor or when Cassa Centrale Raiffeisen dell'Alto Adige is legally released from its original obligation under the liability, either by law or by the creditor.

Liabilities issued and subsequently repurchased by the bank are derecognised.

Recognition of income components

Interest expense is recognised in item 20. of the income statement "Interest and similar expense". The gains and losses on sale or purchase of financial liabilities, as well as on repurchase of securities issued by the bank, are recognised in profit or loss under item 100 c) "Profits (Losses) on sale or repurchase of financial liabilities".

Item 20. Financial liabilities held for trading

Classification

This financial statement item includes financial liabilities held for trading, regardless of their technical form. This also includes financial derivatives other than hedging derivatives with a negative fair value.

Initial recognition

Financial liabilities held for trading are recognised in the financial statements on the settlement date. Initial recognition is at the value of the consideration received, which is equivalent to their fair value.

Measurement

After initial recognition, financial liabilities held for trading are measured at fair value determined in accordance with IFRS 9.

Derecognition

Financial liabilities are derecognised when they are extinguished.

Recognition of income components

Income components are recognised as follows:

- interest and similar expense are recognised in item 20. of the income statement "Interest and similar expense";
- any valuation, sale or purchase gains or losses are recognised in item 80 of the income statement "Profits (Losses) on trading".

Item 90. Post-employment benefits

The post-employment benefit fund is to be understood as a payable to personnel relating to a defined benefit that will be paid to them at the end of their employment. Its recognition in the financial statements required estimating the amount of benefits accrued by employees and discounting them using actuarial techniques. These benefits were calculated by an external and independent actuary using the projected unit credit method, which considers each period of service as giving rise to an additional unit of post-employment benefits to be used in calculating the final obligation. Total future cash outflows are calculated on the basis of demographic assumptions regarding the evolution of existing employees and economic and financial assumptions and discounting these flows at a market interest rate.

Pursuant to Italian Law no. 335/95, employees hired on or after 28 April 1993 can allocate part of their post-employment benefits to a supplementary pension fund in accordance with current company agreements. For first-time employees hired after 28 April 1993, all post-employment benefits are paid into a supplementary pension fund, such as the Raiffeisen Fondo Pensione Aperto (Raiffeisen Open Pension Fund), in accordance with the applicable company agreements. The introduction of Italian Legislative Decree no. 124/93 envisaged the possibility of allocating accrued portions of post-employment benefits to the financing of supplementary pensions. In this regard, the 2007 Finance Act (Italian Law no. 296 of 27 December 2006), which brought forward to 1 January 2007 the effective date of the new regulations on the Supplementary Pension introduced by Italian Legislative Decree no. 252 of 5 December 2005, gave the possibility of vesting accrued Post-employment benefits into the supplementary pension. This new provision concerned companies with at least 50 employees. The latter were then able to express their decision on the matter, explicitly or tacitly, by 30 June 2007. These new provisions were taken into account in the measurement of the post-employment benefit fund.

In accordance with IAS, only the liabilities from post-employment benefits remaining with the company were estimated, since the accrued portion of post-employment benefits was paid to a separate entity (supplementary pension scheme or INPS funds). As a result of these payments, the company will no longer have any obligations relating to the employee's future employment. The cost of post-employment benefits accrued during the year is recognised in profit or loss under item 160 a) "Personnel expenses" and includes the present value of the benefits accrued by employees in service (current service cost) during the year and the interest accrued on the obligation (interest cost) during the year. Actuarial gains and losses, defined as the difference between the carrying amount of the liability and the present value of the obligation at the end of the period, are recognised in a specific equity reserve.

Item 100. Provisions for risks and charges

a) **Commitments and guarantees given**

b) **Pension and similar obligations**

c) **Other provisions for risks and charges**

This item includes provisions for risks and charges in accordance with IAS 37 (Provisions, contingent liabilities and contingent assets) and expected credit losses in accordance with IFRS 9, paragraph 5.5.

a) Commitments and guarantees given

This item includes provisions for risks and charges in accordance with IAS 37 (Provisions, contingent liabilities and contingent assets) and expected credit losses in accordance with IFRS 9, paragraph 5.5. In particular, this accounting standard provides that for commitments to provide loans and financial guarantee contracts, the date on which the entity becomes a party to the firm commitment is considered the date of initial recognition for the purposes of applying the impairment provisions. This implies that, for such commitments to provide loans and financial guarantee contracts, impairment adjustments must be recognised for expected credit losses by determining the impairment according to the impairment model described in paragraph 5.5 of IFRS 9.

With regard to expected credit losses, please refer to the calculation of impairment losses under asset item 40.

At the end of the reporting period, impairment was determined using an internal rating procedure.

The provisions required under IAS 37 must be recognised only if the bank has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources representing economic benefits will be required to settle the obligation and, finally, if a reliable estimate can be made of the amount of the obligation.

b) Pension and similar obligations

Item 100 b) includes expenses arising from commitments for supplementary pension funds with guaranteed benefits and defined contribution funds classified as "internal funds" under current social security regulations.

c) Other provisions for risks and charges

Item 100 c) includes amounts for risks and charges not included in the previous items.

Other provisions for risks and charges represent liabilities to be recognised only when:

- the bank has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources representing economic benefits will be required to settle the obligation;
- it is possible to make a reliable estimate of the amount of the obligation.

If these conditions are not met, no liability for risks and charges is recognised. The amounts set aside are determined so that they represent the best possible estimate of the expense required to fulfil the obligations. In determining this estimate, consideration is given to the risks and uncertainties that characterise the facts and circumstances under consideration. At the end of each reporting period or interim reporting period, the provisions set aside are reviewed and, if necessary, adjusted to reflect the best current estimate. When, following a review, it is found that the expense is unlikely to be incurred, the provision is reversed. A provision is used only against the expenses for which it was initially recognised. Provisions also include liabilities to personnel related to loyalty bonuses.

Item 110. Valuation reserves

This item includes valuation differences arising from the first-time adoption of IFRS and from subsequent valuations of FVTOCI financial assets, property, equipment and investment property and intangible assets. This item also includes gains and losses arising from the calculation of the present value of post-employment benefits, defined as the difference between the statutory carrying amount of liabilities and the present value of those liabilities at the end of the reporting period. Revaluation reserves recognised in pursuance of special revaluation laws are also included.

Item 140. Reserves

This item includes income-related reserves as well as reserves arising from the first-time adoption of international accounting standards.

Other information

Foreign currency transactions

<u>Initial recognition</u>

Foreign currency transactions are recognised at the exchange rate prevailing on the date of the transaction.

Measurement

Subsequent to initial recognition, foreign currency assets and liabilities are recognised at the respective exchange rate at the end of the reporting period.

Recognition of income components

Exchange rate differences arising from the settlement of transactions at rates different from those of initial recognition and unrealised exchange rate differences on foreign currency assets and liabilities are recognised in item 80 of the income statement "Profits (Losses) on trading".

Repurchase agreements

Securities received in a transaction where there is a contractual obligation to resell them and securities delivered in a transaction where there is a contractual obligation to repurchase them are not recognised or derecognised in the financial statements. Accordingly, in the case of a security purchased under a resale agreement (reverse repurchase agreement), the amount paid is recognised as loans and receivables from customers or with banks, or as a financial asset held for trading. In the case of a security sold under a repurchase agreement (reverse repurchase agreement), the liability is recognised in due to banks or customers, or under trading liabilities. Income from receivables/payables, consisting of coupons accrued on securities and the difference between the spot and forward prices of those securities, is recognised on an accrual basis in the income statement items relating to interest income or expense.

A.3 DISCLOSURE ON THE RECLASSIFICATION OF FINANCIAL INSTRUMENTS

No financial instruments were reclassified during 2022.

A.4 FAIR VALUE INFORMATION

The disclosures to be made in the annual financial statements concerning the fair value of financial instruments are defined in IFRS 13.

This standard brings together in a single document all the information required about fair value measurement methods.

The provisions of IFRS 9 continue to apply to the types of financial instruments to which fair value measurement applies, i.e. fair value applies to all financial instruments except financial assets measured at amortised cost for which the fair value option is not applied.

However, international accounting standards and the supervisory provisions of the Bank of Italy itself require the disclosure of the fair value of a whole range of assets and liabilities measured at amortised cost (loans and receivables with customers and due to banks, securities issued).

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless whether that price is directly observable or estimated using another valuation technique.

The definition of fair value is based on the fundamental assumption that the entity is fully operational and there is no intention or need to liquidate, significantly reduce the business or enter into transactions on unfavourable terms. The fair value also reflects the credit quality of the financial instrument as it incorporates counterparty risk.

IFRS 13 provides for a classification of fair value measurements of financial instruments based on a specific hierarchy that is determined by the inputs used in the fair value measurement process.

Financial instruments are therefore divided into three levels of fair value:

- Level 1: when quoted prices in an active market are available for the financial assets and liabilities being measured;

- Level 2: if no active market exists, fair value is determined using valuation techniques that include only inputs that are directly or indirectly observable in the market;

- Level 3: when prices are calculated using valuation techniques with significant inputs based on parameters that are not observable in the market.

In cases where fair value cannot be reasonably estimated and/or the costs of calculating fair value are excessive, financial instruments are recorded at original purchase cost.

The choice between the above categories is not discretionary and the valuation techniques adopted maximise the use of observable market factors, relying as little as possible on subjective parameters.

The valuation method defined for a financial instrument is maintained over time and is only changed if there is a material change in market conditions or a subjective change in the issuer of the financial instrument.

They are generally considered to be quotes in an active market (stage 1):

- listed shares;
- government securities listed on regulated markets;
- bonds listed on regulated markets;
- listed funds;
- derivative contracts for which quotes are available on a regulated market.

The purchase price (bid price) is used for financial assets quoted in active markets and the selling price (ask price) on the valuation date is used for financial liabilities.

Qualitative information

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

A financial instrument is classified in stage 2 or 3 in the absence of quoted prices in active markets.

On the other hand, classification in stage 2 rather than stage 3 depends on the observability in the markets of the inputs used for fair value measurement.

Units of mutual investment funds are listed at the NAV (net asset value) reported by the asset management company adjusted where appropriate with a discount to account for liquidity risk. Where both observable market inputs (stage 2) and unobservable market inputs (stage 3) are used in the measurement of a financial instrument, the instrument is categorised in stage 3 of the fair value hierarchy if the unobservable inputs are significant in determining fair value.

The valuation method defined for a financial instrument is maintained over time, unless alternative techniques are available that provide a more representative fair value measurement.

The fair value used for the measurement of financial instruments is determined on the basis of the criteria set out below:

Stage 2: Valuation methods based on observable market parameters

For stage 2 instruments, an input data is considered observable, directly or indirectly, when it is continuously available to all market participants, thanks to its regular publication through specific information channels (stock exchanges, information providers, brokers, market makers, websites, etc.). The measurement of the financial instrument is based on prices derived from market prices of similar assets (comparable approach) or using valuation techniques in which all significant factors - including interest rates, interest rate curves and credit spreads - are derived from observable market parameters (mark-to-model approach).

Stage 2 inputs include:

- prices quoted in active markets;
- prices listed for the analysed instrument or for similar instruments on markets that are not active, i.e. markets where there are few transactions, prices are not current or vary substantially over time;
- observable market inputs e.g. interest rates, interest rate curves, volatility indexes, credit spreads;
- input corroborated by market data.

With regard to the portfolio of financial instruments at the end of the reporting period, investment fund units, over-the-counter (OTC) financial derivatives, bonds with no official prices from an active market, and financial instruments on the liabilities side measured at fair value are included in stage 2.

<u>OTC (over the counter) financial derivatives</u>

Interest rate, exchange rate, equity, inflation and commodity derivatives that are not traded on regulated markets are considered over-the-counter (OTC) instruments if they are traded bilaterally between two market counterparties. They are measured using special pricing models, fed by market observable inputs, such as rate curves, volatility matrices and exchange rates.

The method used in evaluating these contracts is as follows:

- interest rate derivatives (IRS): discounted cash flow model;
- options: black&scholes model, cox-rubinstein binomial model;
- cap/floor: black log normal shifted model;
- foreign currency derivatives: internal model for determining forward points.

Moreover, counterparty risk and own credit risk are taken into account when determining the fair value of derivatives. This involves the application of a "credit value adjustment" to financial derivative assets and a "debit value adjustment" to financial derivative liabilities. For the calculation of credit risk, Cassa Centrale Raiffeisen dell'Alto Adige uses a valuation model based on the probability of default and the recovery rate.

<u>Bonds recorded on the asset side of the statement of financial position not quoted in an active market</u>

With regard to purchased debt securities that are not quoted in an active market, Cassa Centrale Raiffeisen dell'Alto Adige checks:

- whether there is an inactive market for the financial instrument. In this case, the measurement of the financial instrument is based on prices available in an inactive market as long as they are considered representative of fair value;
- the presence of an active market for an instrument with similar characteristics. In this case, the measurement of the financial instrument is based on prices derived from market prices of similar

assets (known as comparable approach). The comparative approach involves seeking transactions in active markets for instruments that are comparable to the instrument being measured.

If it is not possible to apply the methods described above, Cassa Centrale Raiffeisen dell'Alto Adige adopts valuation models based on observable market inputs as much as possible. The "discounted cash flow model" is applied to stage 2 securities, i.e. the determination of the present value of expected future cash flows, considering all risk factors to which the instrument is exposed (counterparty risk, issuer risk). The issuer's credit risk is included in the measurement by reference to the credit spread of the underlying issuer itself (if any) or the issuer's economic sector.

Own bonds

The bonds issued by Cassa Centrale Raiffeisen dell'Alto Adige are not listed on a regulated market with the exception of EMTN bonds that are listed on the Luxembourg Stock Exchange. The secondary market price is determined using the discounted cash flow method described above. Under this method, the fair value of bonds issued by the bank is determined by discounting estimated future cash flows at an observable market rate, increased by a spread calculated on the basis of the bank's most recent own issues in order to ensure a valuation that reflects as closely as possible the transaction price in the non-institutional market.

The determination of the fair value of bonds issued, whether for the purpose of calculating the carrying amount (in the case of bond issues measured under the fair value option) or for disclosure in the notes to the financial statements (in the case of bond issues measured at amortised cost), is based on the same pricing methodology as that used to determine the trading price of bond issues in the secondary market.

Stage 3: Valuation methods based on unobservable market parameters

All financial instruments that are not quoted in an active market and for which the determination of the relative fair value is based on valuation models using parameters that are not directly observable in the market are classified in stage 3. Unobservable market inputs are used to estimate fair value where observable market inputs are not available. Therefore, these inputs reflect the assumptions, including risk assumptions, that market participants would consider in pricing the asset or liability. Measurement is based on the best available information, including internal data. Unlisted equity instruments are also classified in stage 3. These are non-controlling interests in unlisted financial and non-financial companies. For these securities, fair value cannot be reasonably estimated or the cost of determining fair value is considered excessive. Accordingly, they are recognised at original purchase cost.

Loans and receivables with banks and with customers

For financial instruments recognised in the financial statements at purchase cost or amortised cost, and substantially classified as loans and receivables with banks and with customers, a fair value is determined for disclosure purposes in the notes to the financial statements.

Specifically:

- for medium- to long-term non-performing loans (bad loans, unlikely to pay and past due/overdue), fair value is determined by discounting the contractual cash flows or those quantified on the basis of repayment plans, net of estimated loss and recovery costs, using contractual rates;
- for medium- to long-term performing loans, the discounted cash flow method is applied to determine fair value by discounting future cash flows using a current market rate and adjusting the values for credit risk, which is based on the probability of default and the recovery rate;
- for assets and liabilities at sight or with a maturity of less than one year, the carrying amount, net of impairment, at which they are recognised is considered to be a good approximation of fair value.

As these financial assets are generally not traded in the market, fair value is determined using internal parameters that are not directly observable in the market and therefore these instruments are classified in fair value level 3.

<u>Due to banks and customers and securities issued</u>

For liability instruments recorded under the items due to banks and due to customers, the fair value of which is determined solely for disclosure purposes, a distinction is made between at-sight and medium- to long-term payables.

Specifically:

- for payables at sight, maturing in the short term (less than 12 months) or revocable, the carrying amount is considered representative of fair value;
- for medium/long-term payables, fair value is determined using valuation techniques such as discounted cash flow, i.e., discounting future cash flows at a market rate that reflects all risk factors to which the instrument is exposed.

As these financial liabilities are generally not traded in the market, the fair value is determined using internal parameters that are not directly observable in the market and therefore these instruments are classified in fair value level 3.

A.4.2 Processes and sensitivity of measurement

All financial assets and liabilities are measured with the support of the internal functions and specific committees of Cassa Centrale Raiffeisen dell'Alto Adige.

Cassa Centrale Raiffeisen dell'Alto Adige has policies (pricing policies) and operating procedures that describe the valuation techniques and inputs used. The documents identify:

- the roles and responsibilities of the company officers and functions involved;
- rules for classification within fair value levels, as required by IAS/IFRS;
- techniques and methods for measuring financial instruments;
- information flows.

As at 31 December 2022, Cassa Centrale Raiffeisen dell'Alto Adige hold financial instruments classified as stage 3, which are measured using techniques based on significant inputs that are not observable on the market.

The sensitivity analysis required by IFRS 13 was not applied to the following instruments:

- equity instruments for which no inputs (observable or unobservable) were available to estimate fair value or for which the cost to determine fair value was deemed excessive were recorded at purchase cost;
- OEIC units were assigned a fair value corresponding to the last net asset value provided by the management company by applying a liquidity discount.

A.4.3 Fair value level

The transition of a financial instrument from fair value stage 1 to stage 2 or vice versa derives mainly from the degree of liquidity of the instrument itself at the time of its listing, which determines the use of a price recorded in an active market (stage 1) rather than a price derived from a pricing model (stage 2). If there is objective evidence that the price for a financial asset or financial liability is not significant or not available (e.g. lack of prices from multiple market participants, few or inconsistent prices), the instrument is included in stage 2 of the fair value hierarchy. This classification could be revised if active market prices were again available for the same financial instrument.

This trend is mainly adopted for debt securities, equity instruments and OEIC units. Derivative instruments listed on regulated markets are normally included in stage 1, since a price expressed by the reference exchanges is normally available for them.

OTC derivative instruments are usually measured using pricing models and are therefore classified as fair value stages 2 or 3, depending on whether observable or unobservable inputs are used. The transition from stage 2 to stage 3 or vice versa depends on the weight or importance given to the observable or unobservable input variables.

A.3 Information on transfers between portfolios of financial assets

A.3.1 Reclassified financial assets: change in the business model, carrying amount and interest income

Type of financial instrument	Source portfolio	Target portfolio	Reclassification date	Reclassified carrying amount	Interest income recorded in the year (pre-tax)
Debt securities	Fair Value to other comprehensive income	Held to collect	01/01/2019	394,312	

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

Type of financial instrument	Source portfolio	Target portfolio	Fair value as at 31/12/2022	Capital gains/losses in the absence of transfer to the income statement (pre-tax)		Capital 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	Fair Value to other comprehensive income	Held to collect	307,586			1,814	4,119

As already stated in the annual report as at 31 December 2018, following the non-establishment of the Raiffeisen Group decreed by the implementing regulations of the reform of cooperative credit banks, the Board of Directors decided to reclassify the Bank's financial instruments from the HTCS portfolio to the HTC portfolio for a nominal amount of € 390 million effective from 1 January 2019. The fair value of the reclassified debt securities developed positively since their reclassification.

Qualitative information

A.4.1 Levels of fair value 2 and 3: valuation techniques and inputs used

A.4.2 Processes and sensitivity of measurements

A.4.3 Fair value level

A.4.4 Other information

A.4.5 Fair value level

Quantitative information

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

Financial assets/liabilities 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	5,789	136,980	13,383	3,562	143,350	10,124
a) financial assets held for trading	5,789	26,419	40	3,562	21,096	-
b) financial assets designated at fair value	-	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	-	110,561	13,343	-	122,254	10,148
2. Financial assets measured at fair value through other comprehensive income	416,700	-	54,924	416,304	-	56,467
3. Hedging derivatives	-	1,343	-	-	-	-
4. Property, equipment and investment property	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	**422,489**	**138,323**	**68,307**	419,866	143,350	66,591
1. Financial liabilities held for trading	-	5,713	61	-	1,069	59
2. financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	13	-	-	1,184	-
Total	**-**	**5,725**	**61**	**-**	**2,253**	**59**

A.4.5.2 Annual changes of assets at fair value on a recurring basis (Level 3):

	Financial assets measured at fair value through profit or loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Property, equipment and investment property	Intangible assets
	Total	Of which: a) financial assets held for trading	Of which: b) financial assets designated at fair value	Of which: c) other financial assets mandatorily measured at fair value				
1. Opening balance	**10,124**	**-**	**-**	**10,124**	**56,467**	-	-	-
2. Increases	**3,453**	40	-	**3,453**	**6,650**	-	-	-
2.1 Purchases	1,948	-	-	1,948	4,090	-	-	-
2.2 Gains recognised in:	-	-	-	-	-	-	-	-
2.2.1 profit or loss	85	-	-	85	-	-	-	-
- of which: Capital gains	1,358	-	-	1,358	-	-	-	-
2.2.2 Equity	-	-	-	-	2,560	-	-	-
2.3 Transfers from other levels	-	-	-	-	-	-	-	-
2.4 Other increases	62	40	-	21	-	-	-	-

3. Decreases	**193**	**-**	**-**	**193**	**8,193**	-	-	-
3.1 Sales	130	-	-	130	-	-	-	-
3.2 Redemptions	-	-	-	-	-	-	-	-
3.3 Losses recognised in:	-	-	-	-	-	-	-	-
3.3.1 profit or loss	59	-	-	59	-	-	-	-
- of which Capital losses	59	-	-	59	-	-	-	-
3.3.2 Equity	-	-	-	-	2,799	-	-	-
3.4 Transfers to other levels	-	-	-	-	5,395	-	-	-
3.5 Other decreases	4	-	-	4	-	-	-	-
4. Closing balance	**13,383**	**40**	**-**	**13,343**	**54,924**	-	-	-

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

Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	31/12/2022				31/12/2021			
	CA	Level 1	Level 2	Level 3	CA	Level 1	Level 2	Level 3
1. Financial assets measured at amortised cost	5,116,625	833,247	1,458,526	2,893,126	5,276,507	934,281	1,321,204	3,151,825
2. Investment property	-	-	-	-	-	-	-	-
3. Non-current assets held for sale and disposal groups	-	-	-	-	-	-	-	-
Total	**5,116,625**	**833,247**	**1,458,526**	**2,893,126**	**5,276,507**	**934,281**	**1,321,204**	**3,151,825**
1. Financial liabilities measured at amortised cost	5,725,314	422,212	425,355	4,828,674	6,443,722	-	870,882	5,582,557
2. Liabilities included in disposal groups classified as held for sale	-	-	-	-	-	-	-	-
Total	**5,725,314**	**422,212**	**425,355**	**4,828,674**	**6,443,722**	**-**	**870,882**	**5,582,557**

Part B - Information on the statement of financial position (balance sheet)

Assets

Section 1 – Cash and cash equivalents – Item 10

1.1 Cash and cash equivalents: breakdown

	31/12/2022	31/12/2021
a) Cash	9,760	9,008
b) Deposit accounts with central banks	134,936	946,635
c) Deposit accounts with banks	170,866	19,204
Total	**315,563**	**974,847**

Cassa Centrale Raiffeisen dell'Alto Adige is responsible for maintaining the right level of liquidity within the Raiffeisen organisation and supplying Raiffeisen member banks with banknotes and coins.

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

2.1 Financial assets held for trading: breakdown by type

Item/Amounts	31/12/2022			31/12/2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A On-statement of financial position assets						
1. Debt securities	-	-	-	-	-	-
1.1 Structured instruments	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equity instruments	5,789	-	-	3,562	-	-
3. OEIC units	-	20,413		-	19,659	
4. Loans	-			-		
4.1 Reverse repurchase agreements						
4.2 Other						
Total A	**5,789**	**20,413**		**3,562**	**19,659**	
B Derivative instruments						
1. Financial derivatives	-	6,006	**40**	-	1,274	**138**
1.1 trading	-	6,006	**40**	-	1,274	**138**
1.2 associated with fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 trading	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total B		**6,006**	**40**		**1,274**	**138**
Total (A+B)	**5,789**	**26,419**	**40**	**3,562**	**20,934**	**138**

The Bank holds a small position in shares and investment funds for trading purposes.

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

Item/Amounts	**31/12/2022**	**31/12/2021**
A. On-statement of financial position 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. Equity instruments	**5,789**	3,562
a) Banks	441	287
b) Other financial companies	649	394
of which: insurance companies	196	102
c) Non-financial companies	4,698	2,881
d) Other issuers	-	-
3. OEIC units	**20,413**	**19,659**
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	**26,202**	**23,222**
B. Derivative instruments	**6,047**	**1,412**
a) Central counterparties	-	-
b) Other	**6,047**	1,412
Total B	**6,047**	**1,412**
Total (A+B)	**32,249**	**24,634**

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

Item/Amounts	31/12/2022			31/12/2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	**-**	**-**	**389**	**-**	**-**	**479**
1.1 Structured instruments	-	-	-	-	-	-
1.2 Other debt securities	-	-	389	-	-	479
2. Equity instruments	**-**	**-**	**179**	**-**	**-**	**194**
3. OEIC units	-	**110,561**	**12,756**	-	**122,254**	**9,451**
4. Loans	**-**	**-**	**19**	**-**	**-**	**24**
4.1 Structured	-	-	-	-	-	-
4.2 Other	-	-	19	-	-	24
Total	**-**	**110,561**	**13,343**	**-**	**122,254**	**10,148**

Other financial assets mandatorily measured at fair value consist of shares of investment funds units and other debt securities.

The shares of investment funds are managed by Union Invest.

The geographical distribution of the fund at the end of the reporting period is as follows:

- Eurozone countries 65.94%
- North America 19.02%
- Other European countries outside the Eurozone 7.88%
- Asia 2.43%
- Other (liquidity, raw materials and other countries) 4.74%.

The total investment in this fund as at 31 December 2022 was as follows: Shares: 30.70%, Debt securities: 60.49%, Liquidity: 8.81%.

Finally, as regards the exchange rate risk, the fund is invested 60.48% in Eurozone currencies and 30.70% in US dollars.

The Bank holds 100% of the shares in DEVIF-Fonds. Due to the fact that the instruments in which the Fund invests are measured at fair value in the management statement, the Bank believes that a "line-by-line" consolidation of the Fund would not result in material differences in the Bank's financial position compared to the current presentation.

Debt securities include subordinated instruments in the amount of € 0.77 million and other financial instruments acquired as part of the restructuring of Italian cooperative banks. The recoverability of these loans and receivables is highly dependent on the effectiveness of legal actions taken to recover the bad debts of distressed institutions. In 2022, these debt securities were written down by € 10,307. Subordinated financial instruments refer to the subscriptions of debt securities of ICCREA Banca.

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

Item/Amounts	31/12/2022	31/12/2021
1. Equity instruments	**179**	**194**
of which: banks	171	187
of which: other financial companies	7	8
of which: other non-financial companies	-	-
2. Debt securities	**389**	**479**
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	389	479
of which: insurance companies	-	-
e) Non-financial companies	-	-
3. OEIC units	**123,317**	**131,705**
4. Loans	19	24
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	19	24
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**123,904**	**132,402**

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

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

Item/Amounts	31/12/2022			31/12/2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	**413,838**	**-**	**-**	**416,304**	**-**	**-**
1.1 Structured instruments	-	-	-	-	-	-
1.2 Other debt securities	**413,838**	-	-	416,304	-	-
2. Equity instruments	**2,862**	**-**	**54,924**	**-**	**-**	**56,467**
4. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**416,700**	**-**	**54,924**	**416,304**	**-**	**56,467**

Cassa Centrale Raiffeisen dell'Alto Adige is responsible for liquidity management for the entire Raiffeisen organisation of Alto Adige. The use of liquidity in the short term mainly concerns investments in government bonds in the Eurozone. Investments in equity instruments concern minority shares. The most significant positions in this regard are the equity investment in the Bank of Italy of € 25 million, the equity investment in Alpen Privatbank of € 14.8 million, the equity investment in ICCREA Banca of € 3.7 million and the equity investment in Assimoco Vita S.p.A. of € 9.7 million.

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

Item/Amounts	**31/12/2022**	**31/12/2021**
1. Debt securities	**413,838**	416,304
a) Central Banks	-	-
b) Public administrations	**413,838**	416,304
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
2. Equity instruments	**57,786**	56,467
a) Banks	43,522	42,632
b) Other issuers	14,265	13,836
- Other financial companies	12,817	12,788
of which: insurance companies	9,753	7,193
- Non-financial companies	1,448	1,048
- other	-	-
3. Loans	-	-
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**471,624**	**472,771**

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

	Total 31/12/2022									
	Gross value					Total impairment losses				
	Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Purchased or originated credit-impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	Total partial write-offs(*)
Debt securities	414,016	414,016	-	-	-	178	-	-	-	-
Loans	-	-	-	-	-	-	-	-	-	-
Total 31/12/2022	**414,016**	**414,016**	**-**	**-**	**-**	**178**	**-**	**-**	**-**	**-**
Total 31/12/2021	**416,600**	**416,600**	**-**	**-**	**-**	**296**	**-**	**-**	**-**	**-**

Section 4 - Financial assets at amortised cost - Item 40

4.1 Financial assets at amortised cost: breakdown by type of loans and receivables with banks

Type of transaction/Amounts	31/12/2022						31/12/2021					
	Carrying amount			) fair value			Carrying amount			) fair value		
	Stage 1 and 2	Stage 3	Purchased or originated credit-impaired	L1	L2	L3	Stage 1 and 2	Stage 3	Purchased or originated credit-impaired	L1	L2	L3
A. Loans and Receivables with Central	**121,193**	**-**	**-**			**121,193**	**116,144**					**116,144**
1. Term deposits		-	-	X	X	X				X	X	X
2. Compulsory reserve	121,193	-	-	X	X	X	116,144			X	X	X
3. Repurchase agreements		-	-	X	X	X				X	X	X
4. Other		-	-	X	X	X				X	X	X
B. Loans and receivables with banks	**2,189,561**	**-**	**-**	**6,932**	**11,313**	**2,170,623**	**2,469,790**				**8,474**	**2,461,278**
1. Loans	2,170,623	-	-	-		2,170,623	2,461,278					2,461,278
1.1 Current accounts		-	-	X	X	X				X	X	X
1.2. Term deposits	26,334	-	-	X	X	X	952			X	X	X
1.3 Other loans:	2,144,290	-	-	X	X	X	2,460,326			X	X	X
- Reverse repurchase agreements		-	-	X	X	X				X	X	X
- Finance leases		-	-	X	X	X				X	X	X
- Other	2,144,290	-	-	X	X	X	2,460,326			X	X	X
2. Debt securities	18,938	-	-	6,932	11,313		8,512				8,474	
2.1 Structured instruments	7,672	-	-	6,932	-		7,512				7,468	
2.2 Other debt securities	11,266	-	-	-	11,313		999				1,006	
Total	**2,310,754**	**-**	**-**	**6,932**	**11,313**	**2,291,816**	**2,585,934**				**8,474**	**2,577,422**

Through the Landesbank, the Raiffeisen member banks can take advantage of ECB refinancing. In this context, the Raiffeisen banks also participated in the ECB's own TLTRO refinancing measures.

4.2 Financial assets at amortised cost: breakdown by type of loans and receivables with customers

Type of transaction/Amounts	31/12/2022						31/12/2021					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Stage 1 and 2	Stage 3	Purchased or originated credit-impaired	L1	L2	L3	Stage 1 and 2	Stage 3	Purchased or originated credit-impaired	L1	L2	L3
1. Loans	**1.905.203**	**31.337**	**6.527**			**2.048.523**	**1.734.762**	**32.775**				**1.887.133**
1.1 Current accounts	110.758	3.450	19	X	X	X	102.284	1.419		X	X	X
1.2 Reverse repurchase agreements				X	X	X				X	X	X
1.3 Mortgages	1.175.012	22.365	6.502	X	X	X	1.088.540	23.710		X	X	X
1.4. Credit cards, personal loans and salary-backed loans	1.132			X	X	X	1.449			X	X	X
1.5. Finance leases	362.018	3.683		X	X	X	343.258	4.900		X	X	X
1.6. Factoring				X	X	X				X	X	X
1.7 Other loans:	256.283	1.839	6	X	X	X	199.231	2.746		X	X	X
2. Debt securities	**862.804**			**826.315**			**923.036**			**934.281**		
1. Structured instruments												
2. Other debt securities	862.804			826.315			923.036			934.281		
Total	**2.768.007**	**31.337**	**6.527**	**826.315**		**2.048.523**	**2.657.798**	**32.775**		**934.281**		**1.887.133**

The Landesbank's activities within the Raiffeisen Organisation are mainly focused on granting loans to businesses. In this area, it provides guidance to both Raiffeisen banks and customers on high-volume lease transactions. Other debt securities include Italian and other EU government bonds managed within the HTC management model.

4.3 Finance leases

31/12/2022						
Time bands	Explicit credits	Principal	of which guaranteed residual value	Interests	Gross investment	of which non-guaranteed residual value
Up to 3 months	1,186	9,225	4,879	2,006	10,412	5,533
From 3 months to 1 year	-	28,864	8,494	5,693	28,864	20,370
From 1 year to 5 years	-	149,786	25,876	22,303	149,786	123,911
Beyond 5 years	-	184,044	30,815	13,467	184,044	153,230
Unspecified maturity	-	31,864	-	-	31,864	31,864
Gross total	1,186	403,785	70,063	43,469	404,971	334,908
Net impairment losses	-	-	-	-	-	-
Net total	**1,186**	**403,785**	**70,063**	**43,469**	**404,971**	**334,908**

31/12/2021						
Time bands	Explicit credits	Principal	of which guaranteed residual value	Interests	Gross investment	of which non-guaranteed residual value
Up to 3 months	140	8,396	2,226	1,899	8,536	6,310
From 3 months to 1 year	-	26,631	6,757	5,392	26,631	19,874
From 1 year to 5 years	-	135,224	23,914	21,317	135,224	111,310
Beyond 5 years	-	180,644	12,274	13,314	180,644	168,370
Unspecified maturity	3,682	51,510	-	-	55,193	55,193
Gross total	3,822	402,405	45,171	41,922	406,228	361,057
Net impairment losses	-	-	-	-	-	-
Net total	**3,822**	**402,405**	**45,171**	**41,922**	**406,228**	**361,057**

4.4 Financial assets at amortised cost: breakdown by debtor/issuer of loans and receivables with customers

Type of transaction/Amounts	31/12/2022			31/12/2021		
	Carrying amount			**Carrying amount**		
	Stage 1 and 2	Stage 3	Purchased or originated credit-impaired	Stage 1 and 2	Stage 3	Purchased or originated credit-impaired
1. Debt securities	**862,804**	**-**	**-**	**923,036**	**-**	**-**
a) Public administrations	862,804	-	-	923,036	-	-
b) Other financial companies	-	-	-	-	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	-	-	-	-	-	-
2. Loans to:	**1,905,203**	**31,337**	**6,527**	**1,734,762**	**32,775**	**-**
a) Public administrations	9,671	-	-	10,619	-	-
b) Other financial companies	94,104	187	-	77,371	504	-
of which: insurance companies	10,394	-	-	10,675	-	-
c) Non-financial companies	1,618,472	26,767	6,527	1,462,944	28,128	-
d) Households	182,957	4,384	-	183,829	4,143	-
Total	**2,768,007**	**31,337**	**6,527**	**2,657,798**	**32,775**	**-**

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

	Gross value					Total impairment losses				
	Stage 1	of which instruments with low credit risk	Stage 2	Stage 3	Purchased or originated credit-impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	Total partial write-offs
1. GL-compliant forborne loans	**77.223**		**16.026**	**604**		**311**	**1.261**	**125**		
2 Subject to existing moratorium measures that no longer comply with the GL and are not considered as forborne										
3. Other forborne loans			**5.759**	**3.870**			**242**	**2.722**		
4. New loans	**50.360**	**25.805**	**5.466**	**5.419**		**164**	**205**	**1.363**		
Total 31/12/2022	**127.583**	**25.805**	**27.251**	**9.893**		**475**	**1.708**	**4.210**		
Total 31/12/2021	**194.444**	**31.102**	**47.595**	**7.801**		**893**	**3.175**	**2.078**		

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

	31/12/2022									
	Gross value					**Total impairment losses**				
	Stage 1	of which instruments with low credit risk	Stage 2	Stage 3	Purchased or originated credit-impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	**Total partial write-offs (*)**
Debt securities	882.117					376				
Loans	3.968.839	2.660.606	247.571	63.957	12.706	8.512	10.879	32.620	6.178	
Total 31/12/2022	**4.850.956**	**2.660.606**	**247.571**	**63.957**	**12.706**	**8.887**	**10.879**	**32.620**	**6.178**	
Total 31/12/2021	**5.031.102**	**2.849.012**	**229.047**	**65.675**		**8.032**	**8.385**	**32.900**		**2.086**

Section 5 - Hedging derivatives - Item 50

5.1 Hedging derivatives: breakdown by type of hedge and level

	Fair Value (2022)			NV (2022)	Fair Value (2021)			NV (2021)
	L1	L2	L3		L1	L2	L3	
A) Financial derivatives	**-**	1,343	-	20,334	**-**	**-**	**-**	
1) Fair value	-	-	-	-	-	-	-	
2) Cash flows	-	-	-	-	-	-	-	
3) Investments in foreign operations	-	-	-	-	-	-	-	
B. Credit derivatives	**-**	-	-	-	**-**	**-**	**-**	
1) Fair value	-	-	-	-	-	-	-	
2) Cash flows	-	1,343	-	20,334	-	-	-	
Total	**-**	1,343	-	20,334	**-**		**-**	

NV = notional value

5.2 *Hedging derivatives: breakdown by hedged portfolios and type of hedging*

Transactions/Type of hedge	Fair Value							Cash flows		Investments in foreign operations
	Specific						Generic	Specific	Generic	
	debt securities and interest rates	**equity instruments and share indices**	**currencies and gold**	**credit**	**commodities**	**other**				
1. Financial assets measured at fair value through other comprehensive income	-	-	-	-	X	X	X	X	-	X
2. Financial assets measured at amortised cost	1,343	X	-	-	X	X	X	X	-	X
3. Portfolio	X	X	X	X	X	X	-	-	X	-
4. Other transactions	-	-	-	-	-	-		X	-	X
Total assets	**1,343**	-	-	-	-	-		-	-	-
1. Financial liabilities	-	X	-	-	-	-	X	X	-	X
2. Portfolio	X	X	X	X	X	X		-	X	-
Total liabilities	-	X	-	X	-	-	-	-	-	-
1. Expected transactions	X	X	X	X	X	X	X	X	-	X
2. Other financial assets and liabilities	X	X	X	X	X	X	-	-	X	-

Section 7 - Equity investments - Item 70

7.1 Equity investments: information on the investment shares

Name	Registered office	Operating office	% equity investment	% Voting rights
A. Wholly-controlled enterprises				
B. Jointly-controlled enterprises				
CASSE RURALI RAIFFEISEN FINANZIARIA S.P.A.	BOLZANO (BZ)	BOLZANO (BZ)	50	50
C. Companies subject to significant influence				
RAIFFEISEN SERVIZI ASSICURATIVI S.R.L.	BOLZANO (BZ)	BOLZANO (BZ)	30	30
MEDIOCREDITO TRENTINO ALTO ADIGE S.P.A.	TRENTO (TN)	TRENTO (TN)	2.89	2.89

Casse Rurali Raiffeisen Finanziaria S.p.A. prepares its financial statements in accordance with Italian Legislative Decree No. 139/2015. Therefore, a reconciliation of the financial statements according to IAS/IFRS was also prepared for this investee company. A reconciliation statement according to IAS/IFRS was also prepared for the 2022 financial statements of Raiffeisen Versicherungsdienst. In 2022, the Bank acquired a 2.9% direct equity investment in Mediocredito Trentino Südtirol. As a result, as at 31 December 2022, the bank held a direct equity investment and an indirect equity investment of 20.4% in Mediocredito Trentino Südtirol.

7.2 Significant equity investments: carrying amount, fair value and dividends received

Name	Carrying amount	Fair value	Dividends received
A. Wholly-controlled enterprises			
B. Jointly-controlled enterprises			
CASSE RURALI RAIFFEISEN FINANZIARIA S.P.A.	10,209		
C. Companies subject to significant influence			
RAIFFEISEN SERVIZI ASSICURATIVI S.R.L.	7,339		180
MEDIOCREDITO TRENTINO ALTO ADIGE S.P.A.	4,043		-
Total	**21,591**		**180**

Equity investments were measured at equity.

CRR Fin S.p.A. ended the 2022 financial year with a loss of € 14,905 thousand. This result is affected by the measurement of the equity investments held, in particular in Mediocredito Trentino Südtirol.

Goodwill of € 2,024 thousand was recognised at the time of the acquisition of the equity investment in RVD GmbH. On these equity investments, the bank did not identify any evidence of impairment as a result of the measurements on the 2022 financial statements.

The fair value column was not corroborated as these are non-listed companies and it is assumed that the values shown for each equity investment represent the best possible measurement based on the information available to the bank.

Finally, it should be noted that dividends received during the year from these equity investments were recognised as a decrease in their value, as they were already included in their measurement at equity as at 31 December 2022.

7.3 Significant equity investments: accounting information

Name	Cash and cash equivalents	Financial assets	Financial liabilities	Total revenues	Net interest income	Pre-tax profit (loss) from continuing operations	Post-tax profit (loss) from continuing operations	Post-tax profit (loss) from discontinued operations	Profit (loss) for the year (1)	Other comprehensive income net of income taxes (2)	Comprehensive income (3) = (1) + (2)
A. Wholly-controlled enterprises											
B. Jointly-controlled enterprises											
CASSE RURALI RAIFFEISEN FINANZIARIA S.P.A.	1,100	49,268	30,014		(148)	(14,912)	(14,893)	-	(14,893)		(14,893)
C. Companies subject to significant influence											
RAIFFEISEN SERVIZI ASSICURATIVI S.R.L.		13,500	641	5,500	-	2,955	2,167	-	2,167	-	2,167
MEDIOCREDITO TRENTINO ALTO ADIGE S.P.A.	38,217	1,567,665	1,442,148	35,757	20,799	8,514	6,043	.	6,043		6,043

In accordance with IFRS 12, the table shows the figures taken from the financial statements as at 31 December 2022 of the investee companies and their reconciliation statements referring to 100% of the equity investment and not to the percentage held by the bank.

7.5 Equity investments: annual changes

Description	31/12/2022	31/12/2021
A. Opening balance	**26,463**	**32,344**
B. Increases	**4,885**	**2,135**
B.1 Purchases	4,235	-
B.2 Reversals of impairment losses	-	1,520
B.3 Revaluations	650	615
B.4 Other increases	-	-
C. Decreases	**9,757**	**8,016**
C.1 Sales	-	8,016
C.2 Impairment losses	9,577	-
C.3 Other decreases	180	-
D. Closing balance	**21,591**	**26,463**
E. Total revaluations	**19,080**	**14,195**
F. Total impairment losses	**21,157**	**11,580**

Section 8 - Property, equipment and investment property - Item 80

8.1 Property, equipment and investment property used in the business: breakdown of assets measured at cost

Asset/Amounts	31/12/2022	31/12/2021
1. Owned	**13,504**	**14,006**
a) land	5,965	5,965
b) buildings	6,272	6,886
c) furniture	848	831
d) electronic systems	258	237
e) other	162	87
2. Rights of use acquired through the financial lease	**100**	**52**
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic systems	-	-
e) other	100	52
Total	**13,604**	**14,058**
of which: obtained through the realisation of guarantees received	-	-

The provisions of IFRS 16 were applied to the recognition of rights of use. In particular, rights of use were activated for four long-term lease contracts for company cars.

8.6 Property, equipment and investment property used in the business: annual changes

	Land	Buildings	Furniture	Electronic systems	Other	Total
A. Opening balance, gross	**5,965**	**7,447**	**901**	**327**	**242**	**14,882**
A.1 Total impairment losses	-	565	70	87	102	**824**
A.2 Opening balance, net	**5,965**	**6,882**	**831**	240	140	**14,058**
B. Increases:	**-**	**60**	**90**	**100**	**200**	**450**
B.1 Purchases	**-**	**60**	**90**	**100**	**200**	**450**
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Reversals of impairment losses	-	-	-	-	-	-
B.4 Fair value gains recognised in	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
B.5 Exchange rate gains	-	-	-	-	-	-
B.6 Transfers from investment property	-	-	-	-	-	-
B.7 Other increases	-	-	-	-	-	-
C. Decreases:	**-**	**674**	**70**	**87**	**74**	**905**
C.1 Sales	-	-	-	-	-	-
C.2 Depreciations	-	565	70	87	74	796
C.3 Impairment losses recognised in	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
C.4 Fair value losses recognised in	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
C.5 Exchange rate losses	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) investment property	-	-	-	-	-	-
b) discontinued operations	-	-	-	-	-	-
C.7 Other decreases	-	109	-	-	-	109
D. Closing balance, net	**5,965**	**6,268**	**851**	**253**	**266**	**13,603**
D.1 Total impairment losses	-	565	70	87	74	796
D.2 Closing balance, gross	**5,965**	**6,833**	**921**	**340**	**340**	**14,399**
E. Measured at cost	-	-	-	-	-	-

Gross opening balances, accumulated depreciation and net opening balances correspond to the previous year's closing balances.

Section 9 – Intangible assets – Item 90

9.1 Intangible assets: breakdown by type of asset

Asset/Amounts	31/12/2022		31/12/2021	
	Definite life	Definite life	Definite life	Indefinite life
A.1 Goodwill	**-**	**-**	**117**	**-**
A.2 Other intangible assets	**58**	**-**	**7**	**-**
of which: software	58	-	7	-
A.2.1 Assets measured at cost:	58	-	7	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	58	-	7	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	**58**	**-**	**124**	**-**

Goodwill was recognised in the financial statements in 2021 following the acquisition of a business unit of Alpen Privatbank.
In 2022, Alpen Privatbank closed its branch in Bolzano due to the termination of the collaboration with a major business partner. As a result, goodwill was completely impaired.

Intangible assets refer to licences for the use of software.

9.2 Intangible assets: annual changes

	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total
		Definite	Indefinite	Definite	Indefinite	
A. Opening balance	**117**			**3,459**		**3,576**
A.1 Total impairment losses				3,452		3,452
A.2 Opening balance, net	**117**	**-**	**-**	**7**	**-**	**124**
B. Increases	**-**	**-**	**-**	**51**	**-**	**51**
B.1 Purchases	-	-	-	-	-	-
B.2 Increases in internally generated intangible assets	-	-	-	-	-	-
B.3 Reversals of impairment losses	-	-	-	-	-	-
B.4 Fair value gains recognised in	-	-	-	-	-	-
-equity	-	-	-	-	-	-
-profit or loss	-	-	-	-	-	-
B.5 Exchange rate gains	-	-	-	-	-	-
B.6 Other increases	-	-	-	51	-	51
C. Decreases	**117**	**-**	**-**	**-**	**-**	**117**
C.1 Sales	-	-	-	-	-	-
C.2 Impairment losses	117	-	-	-	-	117
- amortisation	-	-	-	-	-	-
- Impairment:	-	-	-	-	-	-
+ equity	-	-	-	-	-	-
+ profit or loss	117	-	-	-	-	117
C.3 Fair value losses	-	-	-	-	-	-
-equity	-	-	-	-	-	-
-profit or loss	-	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	-	-	-
C.5 Exchange rate losses	-	-	-	-	-	-
C.6 Other decreases	-	-	-	-	-	-
D. Closing balance, net	**-**	**-**	**-**	**58**	**-**	**58**
D.1 Total net impairment losses	-	-	-	3,452	-	3,452
E. Closing balance, gross	**-**	**-**	**-**	**3,510**	**-**	**3,510**
F. Measured at cost	**-**	**-**	**-**	**-**	**-**	**-**

Section 10 - Tax assets and liabilities - Item 100 under assets and item 60 under liabilities

10.1 Deferred tax assets: breakdown

Description	IRES	IRAP	Total
A) recognised in profit or loss	**5,010**	**748**	**5,759**
1. impairment of loans	3,583	512	4,096
2. tax losses	-	-	-
3. other	1,427	236	1,663
B) recognised in equity	**11,602**	**1,962**	**13,564**
1. valuation reserves	11,602	1,962	13,564
2. other	-		
Total	**16,613**	**2,170**	**19,323**

Other deferred tax assets under A refer to measurements of loans and receivables with banks and with customers and commitments and guarantees given. Deferred tax assets are considered fully recoverable on the basis of expected taxable income in future periods.

10.2 Deferred tax liabilities: breakdown

Description	IRES	IRAP	Total
A) recognised in profit or loss	**552**	**-**	**552**
B) recognised in equity	**365**	**62**	**426**
1. valuation reserves	365	62	426
2. other	-		
Total	**917**	**62**	**979**

The increase in deferred tax liabilities is due to the increase in valuation reserves related to FVOCI and FVOCIE securities.

Deferred tax assets and liabilities were calculated for corporate income tax IRES and IRAP tax, when due.

The rates used to calculate deferred taxation are 27.5% for IRES and 4.65% for IRAP.

10.3 Changes in deferred tax assets (recognised in profit or loss)

	31/12/2022	31/12/2021
1. Opening balance	**6,601**	**7,186**
2. Increases	**942**	**967**
2.1 Deferred tax assets recognised in the year	942	967
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) reversals of impairment losses	-	-
d) other	942	967
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**1,784**	**1,552**
3.1 Deferred tax assets cancelled during the year	1,784	1,552
a) reversals	-	-
b) impairment losses due to non-recoverability	-	-
c) changes in accounting policies	-	-
d) other	1,784	1,552
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
a) conversion into tax assets as per Italian Law 214/2011	-	-
b) Other	-	-
4. Closing balance	**5,759**	**6,601**

10.3.1 Changes in deferred tax assets as per Italian Law 214/2011

	31/12/2022	31/12/2021
1. Opening balance	**3,692**	**4,395**
2. Increases	**-**	**-**
3. Decreases	**-**	**703**
3.1 Reversals	-	703
3.2 Conversions into tax assets		
a) deriving from losses for the year	-	-
b) deriving from tax losses	-	-
3.3 Other decreases	-	-
4. Closing balance	**3,692**	**3,692**

10.4 Changes in deferred tax liabilities (recognised in profit or loss)

	31/12/2022	31/12/2021
1. Opening balance	**564**	**3,307**
2. Increases	**79**	**79**
2.1 Deferred tax assets recognised in the year	79	79
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	79	79
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**91**	**2,822**

3.1 Deferred tax assets cancelled during the year	91	2,822
a) reversals	-	-
b) due to changes in accounting policies	-	-
c) other	91	2,822
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**552**	**564**

10.5 Changes in deferred tax assets (recognised in equity)

	31/12/2022	31/12/2021
1. Opening balance	**36**	
2. Increases	**13,528**	**36**
2.1 Deferred tax assets recognised in the year	13,528	36
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	13,528	36
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**-**	**-**
3.1 Deferred tax assets cancelled during the year	-	-
a) reversals	-	-
b) due to changes in accounting policies	-	-
c) other	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**13,564**	**36**

10.6 Changes in deferred tax liabilities (recognised in equity)

	31/12/2022	31/12/2021
1. Opening balance	**4,877**	**6,857**
2. Increases	**-**	**-**
2.1 Deferred tax assets recognised in the year	-	-
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	-	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**4,451**	**1,980**
3.1 Deferred tax assets cancelled during the year	-	-
a) reversals	-	-
b) impairment losses due to non-recoverability	-	-
c) due to changes in accounting policies	-	-
d) other	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	4,451	1,980
4. Closing balance	**426**	**4,877**

Section 12 - Other assets - Item 120

12.1 Other assets: breakdown

	31/12/2022	31/12/2021
a) cheques being processed	7,209	6,537
b) clearing service with Bank of Italy	99	100
c) advances to suppliers	693	618
d) interest, commissions and charges to be collected	5,099	3,391
e) other sundry payables	90,730	28,917
Total	**103,831**	**39,562**

As a central bank, Cassa Centrale Raiffeisen dell'Alto Adige S.p.A. acts as an intermediary for the Raiffeisen member banks and third-party customers in national and international payment systems and for the fulfilment of orders for the purchase and sale of securities. Cassa Centrale Raiffeisen dell'Alto Adige is a direct member of the Bank of Italy's Target to Security gross settlement and securities settlement systems and indirectly of the Monte Titoli S.p.A. system. Other sundry debtors include tax receivables acquired by the bank of € 52,242 thousand.

Part B - Information on the statement of financial position (balance sheet)

Liabilities

Section 1 - Financial liabilities at amortised cost - Item 10

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

Type of transaction/Amounts	31/12/2022				31/12/2021			
	Carrying amount	Fair Value			Carrying amount	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Due to central banks	**2,840,451**	**X**	**X**	**X**	**3,496,233**	**X**	**X**	**X**
2. Due to banks	**512,405**	**X**	**X**	**X**	**969,460**	**X**	**X**	**X**
2.1 Current accounts and sight deposits	165,376	X	X	X	434,199	X	X	X
2.2 Term deposits	337,663	X	X	X	525,522	X	X	X
2.3 Loans	8,044	X	X	X	8,039	X	X	X
2.3.1 Repurchase agreements	-	X	X	X	-	X	X	X
2.3.2 Other	8,044	X	X	X	8,039	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
2.6 Other payables	1,322	X	X	X	1,700	X	X	X
Total	**3,352,856**	**-**	**-**	**3,352,818**	**4,465,693**	**-**	**-**	**4,465,613**

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

Type of transaction/Amounts	31/12/2022				31/12/2021			
	Carrying amount	Fair Value			Carrying amount	Fair Value		
		L1	L2	L3		L1	L2	L3
1 Current accounts and sight deposits	902,986	X	X	X	918,908	X	X	X
2 Term deposits	156,270	X	X	X	138,781	X	X	X
3 Loans	379,181	X	X	X	1,579	X	X	X
3.1 Repurchase agreements	378,128	X	X	X		X	X	X
3.2 Other	1,053	X	X	X	1,579	X	X	X
4 Payables for commitments to repurchase own equity instruments		X	X	X		X	X	X
5 Lease payables	100	X	X	X	52	X	X	X
6 Other payables	68,520	X	X	X	92,906	X	X	X
Total	**1,507,057**	**-**	**29,476**	**1,475,856**	**1,152,226**		**47,218**	**1,032,038**

Repurchase agreements were concluded with the counterparty Cassa di Compensazione e Garanzia. Other payables include third-party funds under management, in accordance with supervisory regulations.

1.3 Financial liabilities at amortised cost: breakdown by type of securities issued

Type of transaction/Amounts	31/12/2022				31/12/2021			
	carrying amount	Fair Value			carrying amount	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. Bonds	865,401	422,212	395,879		825,803	452,705	382,631	
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	865,401	422,212	395,879	-	825,803	452,705	382,631	-
2. Other securities	-	-	-	-	-	-	-	-
2.1 Structured	-	-	-	-	-	-	-	-
2.2 other	-	-	-	-	-	-	-	-
Total	**865,401**	**422,212**	**395,879**	**-**	**825,803**	**452,705**	**382,631**	**-**

In 2022, Cassa Centrale Raiffeisen dell'Alto Adige issued bonds for its own customers and the customers of the Raiffeisen banks.

Section 2 - Financial liabilities held for trading - Item 20

2.1 Financial liabilities held for trading: breakdown by type

Type of transaction/Amounts	31/12/2022					31/12/2021				
	NV	Fair Value			FV *	NV	Fair Value			FV *
		L1	L2	L3			L1	L2	L3	
A. On-statement of financial position liabilities										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	X	-	-	-	-	X
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total A	**-**	-	-	-	-	-	-	-	-	-
B. Derivative instruments										
1. Financial derivatives	X	-	5,713	61	X	X	-	1,069	59	X
1.1 trading	X	-	5,713	61	X	X	-	1,069	59	X
1.2 Associated with fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	X	-	-	-	X	X	-	-	-	X
2.1 Trading	X	-	-	-	X	X	-	-	-	X
2.2 Associated with fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**-**	**5,713**	**61**	**X**	**X**	**-**	**1,069**	**59**	**X**
Total (A+B)	**X**	**-**	**5,713**	**61**	**X**	**X**	**-**	**1,069**	**59**	**X**

Key

FV = fair value
FV* = fair value calculated by excluding changes in value due to change in creditworthiness of the issuer with respect to the issue date
NV = nominal or notional value
L1 = Level 1
L2 = Level 2
L3 = Level 3

Section 4 - Hedging derivatives - Item 40

4.1 Hedging derivatives: breakdown by type of hedge and level

	NV (2021)	2022 fair value			NV. (2021)	2021 fair value		
		L1	L2	L3		L1	L2	L3
A) Financial derivatives	**1,444**	**-**	**13**	**-**	**24,022**	**-**	**1,184**	**-**
1) Fair value	1,444	-	13	-	24,022	-	1,184	-
2) Cash flows	-	-	-	-	-	-	-	-
3) Investments in foreign operations	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**1,444**	**-**	**13**	**-**	**24,022**	**-**	**1,184**	**-**

Key

NV = nominal value
L1 = Level 1
L2 = Level 2
L3 = Level 3

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

Transactions/Type of hedge	Fair Value						Cash flows		Investments in foreign operations
	Specific								
	debt securities and interest rates	**equity instruments and share indices**	**currencies and gold**	**credit**	**commodities**	**other**	**Specific**	**Generic**	
1. Financial assets measured at fair value through other comprehensive income	-	-	-	-	X	X	X	-	X
2. Financial assets measured at amortised cost	13	X	-	-	X	X	X	-	X
3. Portfolio	X	X	X	X	X	X	-	X	-
4. Other transactions	-	-	-	-	-	-	X	-	X
Total assets	**13**	-	-	-	-	-	-	-	-
1. Financial liabilities	-	X	-	-	-	-	X	-	X
2. Portfolio	X	X	X	X	X	X	-	X	-
Total liabilities	-	X	-	X	-	-	-	-	-
1. Expected transactions	X	X	X	X	X	X	X	-	X
2. Other financial assets and liabilities	X	X	X	X	X	X	-	X	-

Section 8 - Other liabilities – Item 80

8.1 Other liabilities: breakdown

Description	31/12/2021	31/12/2021
a) amounts available to third parties	114	11
b) trade payables	1,759	1,374
c) clearing service with Bank of Italy	4,041	3,383
d) items in progress (temporary accounts)	21,291	25,322
e) other liabilities	11,805	8,882
Total	**42,009**	**38,972**

Items in progress are attributable to collection and payment transactions on behalf of third parties as well as securities transactions. The increase compared to the previous year is mainly due to the volumes of transactions at the end of the year on the temporary accounts dedicated to items in progress.

Section 9 - Post-employment benefits - Item 90

9.1 Post-employment benefits: annual changes

	31/12/2022	31/12/2021
A. Opening balance	**3,429**	**3,676**
B. Increases	**393**	**143**
B.1 Accruals for the year	-	-
B.2 Other increases	393	143
C. Decreases	**974**	**390**
C.1 Benefits paid	974	280
C.2 Other decreases	-	110
D. Closing balance	**2,848**	**3,429**

As from 1 January 2007, the provisions of Italian Law no. 252 of 5 December 2005 came into force with anticipated effect, resulting in the payment of post-employment benefits accrued since 1 July 2007 into a supplementary pension fund or the INPS Treasury Fund. The post-employment benefit fund was measured by an independent actuary.

The following assumptions were adopted for the actuarial valuation of the post-employment benefit fund:

- annual discount rate 3.57%.
- annual inflation rate: 5.9% for 2023, 2.3% for 2024 and 2.0% from 2025.
- annual rate of increase of post-employment benefits 5.93% for 2023, 3.33% for 2024 and 3.0% from 2025.

For the valuation of the discount rate, the iBoxx Eurozone Corporates AA5 7 index at the valuation date was taken as a reference.

Section 10 - Provisions for risks and charges - Item 100

10.1 Provisions for risks and charges: breakdown

Item/Amounts	**31/12/2021**	**31/12/2021**
1 Provisions for risks and charges relating to commitments and financial guarantees given	3,215	2,422
2. Provisions on other commitments and other guarantees given	-	-
3. Company pension funds	-	-
4. Other provisions for risks and charges	464	381
4.1 legal and tax disputes	315	220
4.2 personnel expenses	-	-
4.3 other	149	161
Total	**3,679**	**2,803**

Provisions for legal disputes concern a number of disputes relating to the sale of financial products as well as a dispute concerning the interpretation of contractual clauses.

Other provisions for risk include the provision for employee loyalty bonuses.

10.2 Provisions for risks and charges: annual changes

	Pension funds	Other funds	**Total**
A. Opening balance	**-**	**2,803**	**2,803**
B. Increases	**-**	**2,303**	**2,303**
B.1 Accruals for the year	-	2,303	2,303
B.2 Changes over time	-	-	-
B.3 Changes due to discount rate fluctuations	-	-	-
B.4 Other increases	-	-	-
C. Decreases	**-**	**1,427**	**1,427**
C.1 Use in the year	-	1,416	1,416
C.2 Changes due to discount rate fluctuations	-	-	-
C.3 Other decreases	-	11	11
D. Closing balance		**3,679**	**3,679**

10.3 Provisions for credit risk relating to commitments and guarantees given

Item/Amounts	Provisions for credit risk relating to commitments and guarantees given				
	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	**Total**
Commitments to disburse funds	879	68	204	36	**1,187**
Financial guarantees given	244	231	1,035	518	**2,028**
Total	**1,123**	**298**	**1,239**	**554**	**3,215**

Section 12 - Company equity - Items 110, 130, 140, 150, 160, 170 and 180

12.1 Share capital and treasury shares: breakdown

Description	**31/12/2022**	**31/12/2021**
1. Share capital	250,000	225,000
2. Share premium reserve	-	-
3. Reserves	202,651	177,013
4. (Treasury shares)	-	-
5. Valuation reserves	(18,822)	21,202
6. Equity instruments	-	-
7. Profit (Loss) for the year	11,904	42,739
Total	**445,734**	**465,954**

In 2022, the bank carried out a capital increase of € 25 million.

12.2 Share capital - Number of shares: annual changes

Items/Types	**Ordinary**	**Other**
A. Shares at the beginning of the year	**225,000**	-
- fully paid-up	225,000	-
- not fully paid-up	-	-
A.1 Treasury shares (-)	-	-
A.2 Outstanding shares: opening balance	**225,000**	-
B. Increases	25,000	-
B.1 New issues	25,000	-
-against payment	25,000	-
- business combinations	-	-
- conversion of bonds	-	-
- exercising of warrants	-	-
- other	25,000	-
-free of charge	-	-
-on behalf of employees	-	-
-on behalf of directors	-	-
- other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other increases	-	-
C. Decreases	-	-
C.1 Cancellation	-	-
C2. Purchase of treasury shares	-	-
C3 Disposals of companies	-	-
C4 Other decreases	-	-
D. Outstanding shares: final balance	**250,000**	-
D1 Treasury shares (+)	-	-
D2 Shares outstanding at the end of the year	250,000	-
- fully paid-up	250,000	-
- not fully paid-up	-	-

12.4 Income-related reserves: other information

The bank's income-related reserves consist of profit allocations made in previous years, as well as the reclassification of the provision for general banking risks, the provision for credit risks and other provisions following the first-time adoption of IAS/IFRS.

12.5 Equity instruments: breakdown and annual changes

Item/Amounts	**Amount**	**Possibility of use**	**Amount available**
a) Legal reserve	20,908	B	11,836
b) Statutory reserve	58,948	A-B-C	58,948
c) Voluntary reserve	92,154	A-B-C	92,154
d) Other reserves	30,641	A-B	30,641
Total	**202,651**		**193,579**

Key:

A: for share capital increase
B: as loss coverage
C: for distribution to Shareholders

Part B - Information on the statement of financial position (balance sheet)

Other information

1. Commitments and financial guarantees given other than those designated at fair value

	notional amount on commitments and financial guarantees given				Total 31/12/2022	Total 31/12/2021
	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
1. Commitments to disburse funds	**1,527,187**	**13,828**	**2,870**	**143**	**1,544,027**	**1,287,330**
a) Central Banks	-	-	-	-	-	-
b) Public administrations	4,857	-	-	-	4,857	5,977
c) Banks	973,214	-	-	-	973,214	721,067
d) Other financial companies	9,414	-	-	-	9,414	5,313
e) Non-financial companies	526,469	13,283	2,773	143	542,668	539,113
f) Households	13,233	545	97	-	13,875	15,859
2. Financial guarantees given	**244,955**	**29,997**	**3,214**	**5,431**	**283,597**	**259,095**
a) Central Banks	-	-	-	-	-	-
b) Public administrations	66	-	-	-	66	66
c) Banks	23,892	-	-	-	23,892	22,536
d) Other financial companies	18,310	12	-	-	18,323	18,543
e) Non-financial companies	198,622	29,447	3,214	5,409	236,692	213,236
f) Households	4,065	538	-	22	4,624	4,715

3. Assets pledged as guarantee for the Bank's liabilities and commitments

Portfolios	Amount 31/12/2022	Amount 31/12/2021
1) Financial assets at fair value through profit or loss		
2) Financial assets at fair value through other comprehensive income	79,891	367,489
3) Financial assets measured at amortised cost	454,343	319,641
4) Property, equipment and investment property		
of which: property, equipment and investment property that constitute inventories		

4. Management and trading on behalf of third parties

Type of service	Amount
1. Execution of orders on behalf of customers	**1,905,586**
a) Purchases	1,905,586
1. settled	1,901,343
2. unsettled	4,243
b) Sales	-
1. settled	-
2. unsettled	-
2. Individual portfolio management	**126,211**
3. Custody and administration of securities	**10,400,841**
a) third-party securities held on deposit: when acting as custodian bank (excluding portfolio management)	- -
1. securities issued by the reporting bank	-
2. other securities	-
b) third-party securities held on deposit (excluding portfolio management): other	8,995,012
1. securities issued by the reporting bank	812,289
2. other securities	8,182,723
c) third-party securities deposited with third parties	8,727,276
d) treasury securities deposited with third parties	1,405,829
4. Other transactions	

Part C - Information on the income statement

Section 1 - Interest - Items 10 and 20

1.1 Interest and similar income: breakdown

Items/Technical forms	Debt securities	Loans	Other transactions	**Total 31/12/2022**	**Total 31/12/2021**
1. Financial assets measured at fair value through profit or loss	15	-	-	15	17
1.1 Financial assets held for trading	-	-	-	-	-
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily designated at fair value	15	-	-	15	17
2 Financial assets at fair value through other comprehensive income	**2,424**	-	-	**2,424**	**2,424**
3 Financial assets measured at amortised cost	**7,228**	**47,588**	-	**54,816**	**39,739**
3.1 Loans and receivables with banks	444	6,313	-	**6,757**	**2,097**
3.2 Loans and receivables with customers	6,784	41,275	-	**48,059**	**37,642**
4 Hedging derivatives	-	-	-	-	-
5 Other assets	-	-	51	51	-
6 Financial liabilities	-	-	-	16,320	30,711
Total	**9,667**	**47,588**	**51**	**73,626**	**72,691**
of which: interest on impaired financial assets	-	1,712	-	1,712	1,062
of which: interest on finance leases	X	9,228	-	9,228	7,599

1.2 Interest and other income: other information

1.2.1 Interest on foreign currency financial assets

Description	**31/12/2022**	**31/12/2021**
Interest on foreign currency financial assets	75	33

1.3 Interest and similar expense: breakdown

Items/Technical forms	Payables	Securities	Other transactions	Total 31/12/2022	Total 31/12/2021
1. Financial liabilities measured at amortised cost	**13,062**	**9,624**	**X**	**22,686**	**9,869**
1.1 Due to central banks	-	X	X	-	-
1.2 Due to banks	11,347	X	X	11,347	695
1.3 Due to customers	1,714	-	-	1,714	818
1.4 Securities issued	X	9,624	X	9,624	8,356
2. Financial liabilities held for trading	-	-	-	-	-
3. financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities and provisions	-	X	-	-	-
5. Hedging derivatives	X	X	-	324	495
6. Financial assets	X	X	X	909	19,693
Total	**13,062**	**9,624**	**-**	**23,919**	**30,057**
of which: interest expense related to lease payables	-	X	X	-	-

1.4 Interest and similar expense: other information

1.4.1 Interest expense on foreign currency liabilities

Description	31/12/2022	31/12/2021
Interest on foreign currency financial liabilities	1	44

1.5 Interest and similar expense: differences relating to hedging transactions

Item/Amounts	**Total 31/12/2022**	**Total 31/12/2021**
A. Gains on hedging transactions	-	-
B. Losses on hedging transactions	324	495
C. Balance (A-B)	**(324)**	**(495)**

Section 2 - Fees and commissions - Items 40 and 50

2.1 Fee and commission income: breakdown

Type of services/Amounts	31/12/2022	31/12/2021
a) Financial instruments	8,729	2,213
1. Placement of securities	8,084	1,252
1.1 With and/or based on firm commitment	-	-
1.2 Without firm commitment	8,084	1,252
2. Order acceptance and transmission and execution of orders on behalf of customers	599	926
2.1 Order acceptance and transmission of one or more financial instruments	599	926
2.2. Execution of orders on behalf of customers	-	-
3. Other commissions related to financial instrument activities	46	35
di cui: dealing for own account	46	35
b) Corporate Finance	-	-
1. Advice on mergers and acquisitions	-	-
2. Treasury services	-	-
3. Other commissions related to corporate finance services	-	-
Consulting services on investments	-	-
d) Clearing and settlement	-	-
e) Custody and administration	**12,456**	**12,003**
1. Custodian bank	1,075	1,059
2. Other commissions related to custody and administration activities	11,380	10,944
f) Central administrative services for collective portfolio management	1,446	1,767
g) Fiduciary services	-	-
h) Payment services	**20,306**	**15,850**
1. Current accounts	3,257	3,101
2. Credit cards	271	179
3. Debit cards and other payment cards	3,218	3,045
4. Bank transfers and other payment orders	501	337
5. Other commissions related to payment services	13,059	9,188
Distribution of third-party services	**411**	**424**
1. Collective portfolio management	-	-
2. Insurance products	156	144
3. Other products	255	280
of which: individual portfolio management	-	-
j) Structured Finance	-	-
k) Servicing for securitisation transactions	-	-
l) Commitments to disburse funds	-	-
m) Financial guarantees given	**2,150**	**1,914**
of which: credit derivatives	-	-
n) Funding transactions	-	-
of which: factoring transactions	-	-
o) Currency trading	-	-
p) Commodities	-	-
q) Other fee and commission income	**2,875**	**3,321**
of which: management of multilateral trading facilities	-	-
of which: management of organised trading facilities	-	-
Total	**48,372**	**37,492**

As from 1 January 2014, the bank took over ownership of the Raiffeisen Open Pension Fund. This activity generated contributions and administrative fee and commission income totalling € 11,827.

2.2 Fee and commission income: distribution channels of products and services

Channels/Amounts	**31/12/2022**	**31/12/2021**
a) at Bank branches:	8,495	1,676
1. portfolio management	-	-
2. placement of securities	8,084	1,252
3. third party products and services	411	424
b) outside bank branches:	-	-
1. portfolio management	-	-
2. placement of securities	-	-
3. third party products and services	-	-
c) other distribution channels:	-	-
1. portfolio management	-	-
2. placement of securities	-	-
3. third party products and services	-	-

2.3 Fee and commission expense: breakdown

Type of Services/Amounts	**31/12/2022**	**31/12/2021**
a) Financial instruments	**2,663**	**2,707**
of which: trading of financial instruments	37	48
of which: placement of financial instruments	140	101
of which: individual portfolio management	2,487	2,558
-Own account	-	-
-For third parties	2,487	2,558
b) Clearing and settlement	591	523
c) Custody and administration	744	792
d) Collection and payment services	9,099	5,533
of which: credit cards, debit cards and other payment cards	8,810	5,336
e) Servicing for securitisation transactions	-	-
f) Commitments to disburse funds	-	-
g) Financial guarantees received	173	265
of which: credit derivatives	-	-
h) off-premises provision of financial instruments, products and services	13,613	6,418
i) Currency trading	-	-
j) Fee and commission expense	1,027	1,133
Total	**27,911**	**17,371**

As from 1 January 2014, the bank took over ownership of the Raiffeisen Open Pension Fund.
This activity generated fee and commission expense totalling € 8,167.

Section 3 - Dividends and similar income - Item 70

3.1 Dividends and similar income: breakdown

Items/Income		31/12/2022 dividends	31/12/2022 similar income	31/12/2021 dividends	31/12/2021 similar income
A.	financial assets held for trading	156	-	102	-
B.	Other financial assets mandatorily measured at fair value	-	-	-	-
C.	Financial assets measured at fair value through other comprehensive income	1,259	173	1,353	133
D.	Equity investments		-	-	-
	Total	**1,415**	**173**	**1,456**	**133**

These are dividends received from equity investments in various companies, which are recognised in the financial statements as financial assets measured at fair value through other comprehensive income. The most significant amounts concern dividends collected from the equity investment in the Bank of Italy.

Section 4 - profits (losses) on trading - Item 80

4.1 Profits (Losses) on trading: breakdown

Transactions/Income components	Gains (A)	Trading income (B)	Losses (C)	Trading losses (D)	Profits (Losses) on trading [(A+B)-(C+D)]
1. Financial assets held for trading	**5**	**1,499**	**1,641**	**-**	**(137)**
1.1 Debt securities	-	-	1	-	(1)
1.2 Equity instruments	2	784	1,640	-	757
1.3 OEIC units	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	3	715	-	-	719
2. Financial liabilities held for trading	**-**	**-**	**4,018**	**-**	**(4,018)**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	
2.3 Other	-	-	4,018	-	(4,018)
3. Financial assets and liabilities: exchange rate differences	**X**	**X**	**X**	**X**	-
4. Derivative instruments	**10,338**	**602**	**4,390**	**782**	**5,896**
4.1 Financial derivatives:	10,338	602	4,390	782	5,896
-On debt securities and interest rates	10,338	602	4,390	782	5,768
-On equity instruments and stock market indices	-	-	-	-	-
-On currencies and gold	X	X	X	X	128
-Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges associated with fair value option	X	X	X	X	-
Total	**10,343**	**2,101**	**10,050**	**782**	**1,740**

Section 5 - Net hedging income (expense) - Item 90

5.1 Net hedging income (expense): breakdown

Income components/Amounts	**31/12/2022**	**31/12/2021**
A. Gains on:		
A.1 Fair value hedging derivatives	2,493	1,013
A.2 Financial assets with fair value hedges	-	-
A.3 Financial liabilities with fair value hedges	-	-
A.4 Financial derivatives for cash flow hedges	-	-
A.5 Foreign currency assets and liabilities	-	-
Total hedging income (A)	**2,493**	**1,013**
B. Losses on:		
B.1 Losses on:	(2,214)	(976)
B.2 Financial assets with fair value hedges	-	-
B.3 Financial liabilities with fair value hedges	-	-
B.4 Financial derivatives for cash flow hedges	-	-
B.5 Foreign currency assets and liabilities	-	-
Total hedging expense (B)	**(2,214)**	**(976)**
C. Net hedging expense (A-B)	**279**	**37**
of which: result of hedges on net positions		

The bank hedges against interest rate risk on a number of large credit lines.

Section 6 - Profits (losses) on disposal/repurchase - Item 100

6.1 Profits (losses) on disposal/repurchase: breakdown

Items/Income components	31/12/2022			31/12/2021		
	Profits	Losses	Net result	Profits	Losses	Net result
A. Financial assets						
1. Financial assets measured at amortised cost	**5,129**	**-**	**5,129**	**-**	**-**	**-**
1.1 Loans and receivables with banks	-	-	-	-	-	-
1.2 Loans and receivables with customers	5,129	-	5,129	-	-	-
2. Financial assets measured at fair value through other comprehensive income	**10,649**	**-**	**10,649**	**6,972**	**(19)**	**6,954**
2.1 Debt securities	10,649	-	10,649	6,972	(19)	6,954
2.2 Loans	-	-	-	-	-	-
Total assets	**15,778**	**-**	**15,778**	**6,972**	**(19)**	**6,954**
B. Financial liabilities measured at amortised cost						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	31	(4)	27	2	(34)	(32)
Total liabilities	**31**	**(4)**	**27**	**2**	**(34)**	**(32)**

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

Transactions/Income components	31/12/2022				
	Gains (A)	Gains on sales (B)	Capital losses (C)	Losses on sales (D)	Profits (Losses) on trading(A+B) – (C+D)
1. Financial assets	**1,360**	**85**	**(11,752)**	**-**	**(10,307)**
1.1 Debt securities	-	85	(59)	-	26
1.2 Equity instruments	-	-	-	-	-
1.3 OEIC instruments	1,358	-	(11,693)	-	(10,335)
1.4 Loans	2	-	-	-	2
2. Financial assets and liabilities: exchange rate differences	**X**	**X**	**X**	**X**	**-**
Total	**1,360**	**85**	**(11,752)**	**-**	**(10,307)**

Section 8 - Net impairment losses for credit risk - Item 130

8.1 Net impairment losses for credit risk relating to financial assets at amortised cost: breakdown

Transactions/Income components	Impairment losses (1)					Reversals of impairment losses (2)			Total 31/12/2022 (3) = (1)-(2)	Total 31/12/2021 (3) = (1)-(2)
	Stage 1 and 2	Stage 3		Purchased or originated credit-impaired		Stage 1 and 2	Stage 3	Purchased or originated credit-impaired		
		Write-off	Other	Write-off	Other					
A. Loans and receivables with banks	**298**	**-**	**-**	**-**	**-**	**2,083**	**-**	**-**	**1,486**	**(1,471)**
-Loans	592	-	-	-	-	2,083	-	-	1,490	(1,466)
-Debt securities	6	-	-	-	-	-	-	-	(5)	(5)
B. Loans and receivables with customers	**11,992**	**-**	**14,570**	**-**	**2,860**	**4,959**	**7,813**	**1,608**	**(15,043)**	**(7,074)**
-Loans	11,953		14,570	-	2,860	4,553	7,813	1,608	(15,410)	(6,802)
-Debt securities	39	-	-	-	-	406	-	-	367	(273)
Total	**12,290**	**-**	**14,570**	**-**	**2,860**	**7,042**	**7,813**	**1,608**	**(13,557)**	**(8,545)**

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

Transactions/Income components	Impairment losses					**Total 31/12/2022**	**Total 31/12/2021**
	Stage 1 and 2	Stage 3		Purchased or originated credit-impaired			
		Write-off	Other	Write-off	Other		
1. GL-compliant forborne loans	(819)	-	(1,992)	-	617	(3,428)	(3,017)
2 Subject to existing moratorium measures that no longer comply with the GL and are not considered as forborne	-	-	-	-	-	-	-
3. Other forborne loans	353	-	(2,462)	-	-	(2,109)	(1,611)
4. New loans	(172)	-	(1,053)		(617)	(1,225)	(153)
Total 31/12/2022	**(638)**	**-**	**(5,507)**	**-**	**-**	(6,761)	**(4,781)**
Total 31/12/2021	**1,310**	**-**	**3,413**	**-**	**-**	**(4,781)**	**(4,781)**

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

Transactions/Income components	Impairment losses (1)					Reversals of impairment losses (2)			Total 31/12/2022 (3) = (1)-(2)	Total 31/12/2021 (3) = (1)-(2)
	Stage 1 and 2	Stage 3		Purchased or originated credit-impaired		Stage 1 and 2	Stage 3	Purchased or originated credit-impaired		
		Write-off	Other	Write-off	Other					
A. Debt securities	49	-	-	-	-	167	-	-	118	(103)
B Loans	-	-	-	-	-	-	-	-	-	-
- with customers	-	-	-	-	-	-	-	-	-	-
- with banks	-	-	-	-	-	-	-	-	-	-
Total	**49**	**-**	**-**	**-**	**-**	**167**	**-**	**-**	**118**	**(103)**

Section 9 - Gains (losses) from amendments to contracts without derecognition - Item 140

9.1 Gains (losses) from amendments to contracts: breakdown

Description	Impairment losses	Reversals of impairment losses	Total 2022	Total 2021
Loans and receivables with customers	1	-	(1)	20

Section 10 - Administrative expenses - Item 160

10.1 Personnel expenses: breakdown

Type of expense/Amounts	**31/12/2022**	**31/12/2021**
1) Employees	21,554	20,546
a) wages and salaries	(15,340)	14,653
b) social security charges	4,109	3,884
c) post-employment benefits	853	839
d) pension expenses	-	-
e) accrual for post-employment benefits	-	-
f) accrual for pension and similar provisions:	-	-
-defined contribution	-	-
-defined benefit	-	-
g) payments to external supplementary pension funds:	908	835
-defined contribution	908	835
-defined benefit	-	-
h) costs deriving from payment agreements on own equity instruments share-based payment agreements	-	-
i) other employee benefits	213	335
2) Other personnel in service	10	3
3) Directors and statutory auditors	768	808
4) Retired personnel	-	-
5) Cost recoveries for employees seconded to other companies	-	-
6) Cost reimbursement for third party employees seconded to the bank	-	-
Total	**22,331**	**21,358**

The number of employees increased further as a result of the expansion of the services offered to the Raiffeisen member banks. Cassa Centrale Raiffeisen dell'Alto Adige offers the Raiffeisen member banks services related to the development of new products, support in defining transactions in the area of finance and credit, support in administrative and signalling activities, and finally the development of the internal control function.

Cassa Centrale Raiffeisen dell'Alto Adige also supports the RIS Kons.Gmbh information service centre in the development of EoP projects and the implementation of new regulations.

10.2 Average number of employees by category

Employees:	
a) executives	6
b) middle managers	73
c) other employees	125
Other personnel	2

Part-time employees were conventionally considered to be 50%.

10.5 Other administrative expenses: breakdown

Description	31/12/2022	31/12/2021
-indirect taxes and duties	1,705	2,223
-fees to professionals	3	3
-insurance companies	138	123
-rental of machines and equipment	108	44
-maintenance costs of own properties	141	168
-property, plant and machinery maintenance contracts	114	123
-postal expenses	119	117
-phone costs	32	32
-EDP, SWIFT and REUTERS expenses	6,791	6,011
-electricity and cleaning costs	409	306
-office supplies and printed matter	44	48
-travel, advertising and entertainment expenses	422	394
-contributions and donations	688	734
-contributions to the IPS underwriting syndicate	3,207	1,579
-contributions to the National Resolution Fund and voluntary contributions for the recovery of BCCs	3,879	4,941
-sundry expenses for treasury services	11	38
-expenses for books, magazines and information	8	16
-expenses for publications and translations	162	202
-legal costs	1,026	879
-expenses for auditing the financial statements	248	238
-other administrative expenses	1,832	1,638
Total	**21,086**	**19,857**

The increase in other administrative expenses is due to the contribution and operating expenses paid to the Institutional Protection Scheme in the amount of € 3,563 and the payment of ordinary and extraordinary contributions to the Depositors' Guarantee Fund and the National Resolution Fund of € 3,490.

Detailed information on Table 10.5: Other administrative expenses

Services assigned to the Independent auditors

In accordance with the resolution of the General Shareholders' Meeting of 18 May 2020, Cassa Centrale Raiffeisen dell'Alto Adige appointed EY S.p.A. to audit the annual financial statements envisaged by the regulations in force. As from 1 May 2021, EY S.p.A. effectively took over this task. In 2022, independent auditors PWC S.p.A., other entities belonging to the independent auditors' network, and the independent auditors EY S.p.A. received fees for the carrying out of the following services:

Type of services	Party that provided the service	Amount of fee
External audit	EY S.p.A.	139
Certification services	EY S.p.A. PWC S.p.A.	47 62
Tax consulting services	TLS	34

Certification reports for TLTRO operations were provided as part of the services carried out.
Other certifications concerned the issue of bonds and third-party securities and instruments under management.

Section 11 Net accruals to provisions for risks and charges - Item 170

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

Description	31/12/2022	31/12/2021
1) Provisions for risks on endorsement credits and commitments to disburse funds	2,049	1,352
2) Reversals of provisions from previous years	1,358	1,602
Total	**(691)**	**250**

11.3 Net accruals to provisions for risks and charges: breakdown

Description	**31/12/2022**	**31/12/2021**
1) Accruals to other provisions for risks and charges		
a) legal disputes	145	25
b) other	-	-
2) Reversals of provisions from previous years		
a) legal disputes	13	12
b) other	-	-
Total	**(132)**	**(13)**

Section 12 - Depreciation and net impairment losses on property, equipment and investment property - Item 180

12.1 Depreciation and net impairment losses on property, equipment and investment property: breakdown

Assets/Income component	Depreciation (a)	Impairment losses (b)	Reversals of impairment losses (c)	**Net result (a + b – c)**
A. Property, equipment and investment property				
1. Used in the business	797	-	-	**797**
- owned	770	-	-	**770**
-rights of use acquired through the lease	27	-	-	**27**
2. Investment property	-	-	-	**-**
- owned	-	-	-	**-**
-rights of use acquired through the lease	-	-	-	**-**
3. Inventories	-	-	-	**-**
Total	**797**	**-**	**-**	**797**

Section 13 - Amortisation and net impairment losses on intangible assets - Item 190

13.1 Amortisation and net impairment losses on intangible assets: breakdown

Assets/Income component	Depreciation (a)	Impairment losses (b)	Reversals of impairment losses (c)	**Net result (a + b – c)**
A. Intangible assets				
of which: Software	34	-	-	**34**
A.1 owned	34	-	-	**34**
-Generated internally	34	-	-	**34**
- Other	-	-	-	**-**
A.2 Rights of use acquired through the lease	-	-	-	**-**
Total	**34**	**-**	**-**	**34**

Section 14 - Other operating net income - Item 200

14.1 Other operating expenses: breakdown

Description	**31/12/2022**	**31/12/2021**
extraordinary expense	115	20
other expenses	-	-
Total	**115**	**20**

Extraordinary expense is attributable to operational errors.

14.2 Other operating income: breakdown

Description	**31/12/2022**	**31/12/2021**
repayment of indirect taxes	1,551	2,046
reimbursement of expenses	2,470	1,776
extraordinary income	58	45
other revenues	5,236	4,873
Total	**9,314**	**8,741**

Other operating income includes revenues from various consulting services offered to the Raiffeisen banks of € 2,680.

Section 15 - Net gains (losses) on equity investments - Item 220

15.1 Net profits (losses) on equity investments: breakdown

Income component/Amounts	31/12/2022	31/12/2021
A. Income	**650**	**7,027**
1. Revaluations	650	615
2. Gains on sale	-	5,908
3. Reversals of impairment losses	-	504
4. Other income	-	-
B. Expense	**10,178**	**-**
1. Impairment	10,178	-
2. Impairment losses	-	-
3. Losses on sale	-	-
4. Other expenses	-	-
Net result	**(9,528)**	**7,027**

Impairment and revaluations of equity investments are made based on the measurement using the equity method of the investee companies and, if necessary, on the results of impairment tests.

Section 17 - Goodwill impairment losses - Item 240

17.1 Goodwill impairment losses: breakdown

Description	31/12/2022	31/12/2021
A. impairment	117	-
B. Reversals of impairment losses	-	-
Total	**(117)**	**-**

Section 18 - Net gains (losses) on disposal of investments - Item 250

18.1 Net gains (losses) on disposal of investments: breakdown

Income component/Amounts	31/12/2022	31/12/2021
A. Property	-	-
-Gains on sale	-	-
-Losses on sale	-	-
B. Other assets	(6)	(1)
-Gains on sale	-	-
-Losses on sale	6	1
Net result	**(6)**	**(1)**

Section 19 – Income taxes – Item 270

19.1 Income taxes: breakdown

Income component/Amounts	**31/12/2022**	**31/12/2021**
1. Current taxes (-)	(7,686)	(13,786)
2. Changes in current taxes of prior years (+/-)	108	(46)
3. Reduction in current taxes for the year (+)	-	-
3. bis Reduction in current taxes for the year for credit taxes as per Italian Law no. 214/2011 (+)	-	-
4. Change in deferred tax assets (+/-)	(828)	(512)
5. Change in deferred tax liabilities (+/-)	-	3,009
6. Income taxes for the year (-) (-1 +/-2 +3 +/-4 +/-5)	**(8,406)**	**(11,335)**

19.2 Reconciliation between theoretical tax expense and actual tax expense

IRES

Description	**Gross profit**	**Tax**	**Percentage of profit**
Theoretical tax	20,311	5,585	27.50%
Actual tax	30,569	8,406	41.39%
Changes subject to reconciliation	**10,258**	**2,821**	

	Taxable income	**%**	**Tax**
IMU and other non-deductible taxes	102	27.50%	28
Non-deductible provisions	2,788	27.50%	767
Impairment of non-deductible equity investments	10,178	27.50%	2,799
Dividends from equity investments (excluding 95% share)	(201)	27.50%	(55)
IRAP deduction for personnel costs Italian Ministerial Decree 2011/11 art. 2	(98)	27.50%	(27)
ACE deductions	(3,395)	27.50%	(934)
Revaluations of non-deductible equity investments	(470)	27.50%	(129)
Other changes	1,353	27.50%	372
Changes subject to reconciliation	**10,258**		**2,821**

19.3 Reconciliation between theoretical tax expense and actual tax expense

IRAP

Description	**Gross profit**	**Tax**	**Percentage of profit**
Theoretical tax	20,311	944	4.65%
Actual tax	42,395	1,971	9.71%
Changes subject to reconciliation	**22,085**	**1,028**	

	Taxable income	**%**	**Tax**
50% Dividends	860	4.65%	40
10% amortisation	49	4.65%	2
10% Other administrative expenses	2,092	4.65%	97
Other revenues	6,905	4.65%	321
Other changes	12,179	4.65%	566
Changes subject to reconciliation	**22,085**		**1,026**

Pursuant to Article 2 of Italian Law no. 44/2012, Cassa Centrale Raiffeisen dell'Alto Adige, together with Cassa Centrale Banca Credito Cooperativo, benefits from the tax transparency regulations envisaged by Article 115 of the Business Income Act with regard to the taxable income of the investee company CRR FIN S.p.A.. Accordingly, the taxable income and tax credits of the investee are taken into account in the tax returns of the participating companies. For 2022, a loss of € 79 was included in the calculation of Cassa Centrale Raiffeisen dell'Alto Adige taxes.

Section 21 - Other information

21.2 Other information

The number of shares amounted to 250,000,000 as at 31 December 2022. Earnings per share, calculated on the simple average of the ordinary shares outstanding as at 31 December 2022, were 4.76 eurocent. In the 2021 financial year, these earnings amounted to 18.99 eurocent per share.

Part D - Statement of comprehensive income

Analytical statement of comprehensive income

	Items	31/12/2022	31/12/2021
10.	**Net income (loss) for the year**	**11,904**	**42,739**
	Other comprehensive income net of income taxes without reclassification to profit or loss related to:	-	-
20.	**Equity instruments designated at fair value through other comprehensive income**	**(4,085)**	**7,488**
	a) Fair value change	(4,085)	7,488
	b) Transfers to other equity components	-	-
30.	**Financial liabilities designated at fair value through profit or loss (change in Bank's creditworthiness)**	**-**	**-**
	a) Fair value change	-	-
	b) Transfers to other equity components	-	-
40.	**Coverage of equity instruments at fair value through other comprehensive income**	**-**	**-**
	a) fair value change (hedged instrument)	-	-
	b) fair value change (hedging instrument)	-	-
	Property, equipment and investment property	**-**	**-**
60.	**Intangible assets**	**-**	**-**
70.	**Defined benefit plans**	**306**	**30**
80.	**Non-current assets held for sale and disposal groups**	**-**	**-**
90.	**Portion of valuation reserves of equity-accounted investments**	**885**	**1,662**
100.	**Income taxes relating to other comprehensive income without reclassification to profit or loss**	**930**	**(2,951)**
	Other comprehensive income with reclassification to profit or loss:	-	-
110.	**Hedging of investments in foreign operations**	**-**	**-**
	a) fair value changes	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
120.	**Exchange rate differences**	-	-
	a) fair value changes	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
130.	**Cash flow hedges**	-	-
	a) fair value changes	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
	of which: result of net positions	-	-
140.	**Hedging instruments (elements not designated)**	-	-
	a) fair value changes	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
150.	**Financial assets (other than equity instruments) at fair value through other comprehensive income**	**(38,061)**	**(11,738)**
	a) fair value changes	(33,084)	(11,530)
	b) reclassification to profit or loss	(4,977)	(208)

	- impairment due to credit risk	(5,129)	0
	- gains (losses) on sales	152	(208)
	c) other changes	-	-
160.	**Non-current assets held for sale and disposal groups:**	-	-
	a) fair value changes	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
170.	**Portion of valuation reserves of equity-accounted investments**	-	-
	a) fair value changes	-	-
	b) reclassification to profit or loss	-	-
	- impairment losses	-	-
	- gains (losses) on sales	-	-
	c) other changes	-	-
180.	**Income taxes relating to other comprehensive income with reclassification to profit or loss**	**-**	**-**
190.	**Total other comprehensive income**	**(40,024)**	**(5,510)**
200.	**Comprehensive income (10+190)**	**(28,120)**	**37,229**

Part E - Information on risks and relative hedging policies

Foreword

Cassa Centrale Raiffeisen dell'Alto Adige pays special attention to maintaining an effective risk management that ensures the constant monitoring and management of risks.

Cassa Centrale Raiffeisen dell'Alto Adige carries out its business in accordance with the following risk management principles, which are set out in the risk management policy:

- Risks are monitored and taken systematically in order to achieve a sustainable return over time;
- Risk exposures are continuously adjusted to the bank's risk capacity and risk appetite;
- Conflicts of interest are avoided or limited as far as possible, both on a personal and organisational basis;
- Risk management standards are based on national and international standards and are consistent with those of similar banking groups in terms of structure and size;
- The Bank's risk and risk management policies are based on the going concern principle;
- The risk thresholds, in particular those set by the supervisory authority, or by the Articles of Association, are complied with on an ongoing basis by expecting an adequate safety margin;
- The bank is primarily active only in those areas for which it has sufficient experience and knowledge to assess the underlying risks, or commitments are made solely as a result of the development or creation of the corresponding know-how;
- The bank does not take on financial instruments in its portfolio that are difficult to value;
- The introduction of new products, services or activities, as well as the entry into new markets, is usually preceded - as part of the innovation process - by an adequate analysis of the target market and all potential risks. The principle of prudence is applied when risk situations arise that are difficult to assess;
- Possible exceptions or extreme situations are presented in the form of stress scenarios, where relevant and appropriate, and the results are taken into account in risk management;
- For particularly critical business processes, the Bank has contingency plans that can be adopted in case of internal or external events of an extraordinary nature that ensure the continuation of operations and the continuity of the bank;
- Appropriate risk management standards are defined for all risks relevant to the Bank, which are then set out in internal policies or regulations;
- The bank's RAF described below is based on the risk management principles listed above.

  The same applies to the internal processes for assessing the adequacy of total capital (ICAAP) and liquidity (ILAAP).

The risk appetite of Cassa Centrale Raiffeisen dell'Alto Adige is defined in the Risk Appetite Framework (hereinafter RAF). The RAF is a component of the internal control system and contributes to the implementation of the principle of sound and prudent management of the bank. The RAF is essentially a system for setting targets and risk limits. For each of the different risk categories, risk targets are defined in the RAF in order to manage, control and monitor them. The RAF encompasses not only the definition of risk appetite, but also a broad and comprehensive system that regulates competencies, processes, interventions and escalations.

The RAF is based on the bank's business model and is consistent with the bank's business planning, organisational structure, maximum risk capacity, the internal capital adequacy and internal liquidity assessment process (ICAAP/ILAAP), the recovery plan according to the Bank Recovery and Resolution Directive (BRRD) and the system of internal controls.

In order for the RAF to be an effective risk management tool, it must contain both qualitative descriptions of the risk objectives (risk appetite statement) and quantitative prescriptions (thresholds or limits) on the defined key indicators.

In order to ensure consistency between the business model and planning (strategic and operational), the RAF includes risk indicators as well as indicators and requirements relating to the bank's profitability, performance and business model.

As part of the risk governance and management process, the Risk Management function has key roles and tasks. However, risk management in general concerns the entire bank, from the corporate bodies down to the individual employee.

The bank's risk management complies with supervisory standards. For each relevant risk, the bank prepares an appropriate risk management process divided into the following steps:

- risk identification (identification of the main risk factors);
- risk analysis (analysis of all major risks and risk factors, definition of risk indicators and models, preparation of internal rules);
- risk measurement and assessment (quantification, measurement or qualitative assessment of all risks);
- risk monitoring (continuous monitoring of risks and underlying indicators, control of compliance with internal and external regulations and standards, identification of risk trends);
- risk reporting and disclosure (timely reporting, the preparation and dissemination of which facilitates decision-making, consideration of possible changes in the current and future context, assessment of possible risk impacts and new opportunities, risk awareness, risk culture);
- risk management and related interventions (implementation of interventions and their documentation).

The RAF, the Internal Capital Adequacy Assessment Process (ICAAP), the Liquidity Adequacy Assessment Process (ILAAP) and the Bank's Recovery Plan are key elements in the implementation of an effective risk management process.

Risk management takes place as part of an organisational model that provides for a clear separation between control functions and operational structures and pursues the following objectives:

- ensuring adequate equity and liquidity availability;
- preventing losses;
- ensuring correct and complete reporting;
- continuing to operate in compliance with all internal and external regulations relevant to the bank.

In accordance with the provisions of corporate governance, the organisational model of Cassa Centrale Raiffeisen dell'Alto Adige defines the main responsibilities of the corporate bodies, also in order to protect the effectiveness and efficiency of the entire internal control system:

- The Board of Directors, which has a strategic supervisory role in accordance with supervisory regulations, is responsible for the risk control and management system and - as part of the related governance - for the processes of defining, approving, modifying, applying and monitoring the strategic objectives and guidelines for risk governance;

- The General Manager and the Board of Directors, who together form the management body, monitor the effective implementation of the strategic objectives, the RAF and the guidelines defined by the Board of Directors for risk management. They are also responsible for taking all necessary steps to ensure that the organisational model and internal controls comply with the principles and requirements set out in the supervisory regulations, and for monitoring compliance on an ongoing basis;
- The Risk Committee provides support and consultancy to the Board of Directors with regard to its tasks and competencies in the area of risk management. All matters relevant for risk management purposes are submitted to the Risk Committee for detailed consideration prior to approval by the Board of Directors.
- The Board of Statutory Auditors, as the control body, monitors the completeness, adequacy, efficiency and reliability of the internal control system and the RAF. The Board of Statutory Auditors, as the control body, monitors the completeness, adequacy, efficiency and reliability of the internal control system and the RAF.

Risk management at the Cassa Centrale Raiffeisen dell'Alto Adige concerns all departments and business units, which are required to carry out their work with constant care and attention, also based on predefined processes. According to the supervisory provisions, the internal control system is divided into three levels:

- line or first-level controls, which are the responsibility of the operating units and are designed to ensure the smooth running of the bank's activities;
- second-level controls (Risk Management and Compliance functions) that identify, analyse, measure, monitor and manage risks;
- third-level controls (internal audit function), which are designed to identify the existence of anomalies in procedures and to assess the functioning and effectiveness of the overall system of internal controls.

In accordance with current prudential supervisory regulations, the Risk Management and Compliance functions report directly to the Board of Directors.

Similarly, it is envisaged that the General Manager will operationally coordinate the activities of these two functions.

The Internal Audit Service reports directly to the Board of Directors.

The risk management function is responsible, among other things, for implementing the following activities and standards:

- ensuring ongoing compliance of risk management with supervisory provisions, as well as with current standards and internal risk management policies and regulations;
- developing, maintaining, validating and continuously adapting procedures, methods and indicators for assessing and managing the risks falling within its competence;
- developing stress scenarios and conducting stress tests (possibly with the support of other relevant functions); communicating the results of the stress tests to the relevant corporate bodies and formulating appropriate proposals for action;
- making proposals on the content, indicators and requirements of the RAF;
- ongoing monitoring of the conformity of the actual risk profile of Cassa Centrale Raiffeisen dell'Alto Adige with the risk appetite and the defined standards; notifying the bodies and risk takers of any overdue and proposing appropriate action;

- supporting the Board of Directors in the implementation and the carrying-out of ICAAP and ILAAP processes; coordinating the different phases of the ICAAP and ILAAP processes; implementing activities that fall within the tasks and competences of the Risk Management function;
- assist the Board of Directors, the General Manager and the rest of the Management in the preparation of the recovery plan;
- checking the proper and adequate implementation of the monitoring and performance control of individual credit exposures;
- prior examination of major corporate events, innovations and outsourced activities.

The Compliance and Anti-Money Laundering service, which is also independent of operating structures such as the risk management department, is responsible for identifying, assessing, managing and monitoring risks arising from non-compliance with external and internal regulations that could lead to administrative or legal sanctions, financial loss or damage to the Group's reputation. The head of this function has also been given responsibility for the anti-money laundering function, with the task of continuously verifying that the company's procedures are consistent with the objective of preventing and combating violations of external and internal regulations on money laundering and the financing of terrorism as far as possible.

The Internal Audit service is responsible for checking the efficiency and effectiveness of the internal control system. The regulations require this activity to be carried out by a structure independent of the operating structure, with qualitative and quantitative characteristics appropriate to the complexity of the company and its activities.

The Internal Audit service carries out its activities on the basis of a specific annual control plan, which is approved in advance by the Board of Directors after informing the Board of Statutory Auditors. The results of the checks carried out by Internal Audit are reported to both the Board of Directors and the Board of Statutory Auditors.

Cassa Centrale Raiffeisen dell'Alto Adige established an organisational model in accordance with the provisions of Italian Legislative Decree no. 231 of 8 June 2001.

To build an effective risk management system, it is essential to create and promote - in words and deeds - a corporate culture that focuses on employee integrity, risk management and adequate internal control mechanisms.

Promoting an appropriate risk culture is an evolving process that is part of the bank's strategic planning.

Public Disclosure

Information on public disclosure and country by country reporting can be found on the website: https://www.raiffeisen.it/it/cassa-centrale/siamo-sostenibili/chisiamo/investor-relations/informativa-al-pubblico.html.

Section 1 - Credit Risk

Qualitative information

1. General aspects

Credit risk: definition

Credit risk is the present and future risk of adverse consequences arising from the failure of a borrower to meet its repayment obligations, either in whole or in part, or at a time other than that contractually agreed. The credit risk components are:

- the risk of a deterioration in creditworthiness (migration risk) resulting from a deterioration in the creditworthiness of the counterparty;
- the risk of delay, i.e. the risk that a counterparty will meet its payment obligations at a time other than that contractually agreed;
- the risk of default, i.e. the risk that a counterparty fails to meet all or part of its payment obligations (the risk of default also includes the risk of insolvency).

The credit risk may arise from adverse developments affecting individual borrowers (idiosyncratic risk, also known as specific or non-systemic risk) or from global events and developments affecting all or part of the portfolio (systemic risk). Systemic risks can affect the solvency of public borrowers or issuers.

Securities in the banking book are also exposed to credit risk in accordance with the standardised approach required by supervisory regulations. Counterparty risk includes the risk of credit valuation adjustments on derivative instruments (CVA risk), exposures arising from securities financing transactions, derivatives and transactions with long-term settlement.

Customer segments in the credit system

The lending practices of the Cassa Centrale Raiffeisen dell'Alto Adige are focused on the segment of small and medium-sized enterprises (exposures above € 1 million make up well over 80% of the loans and receivables portfolio), while loans and receivables with private customers are limited.

Cassa Centrale Raiffeisen dell'Alto Adige also acts as a financial partner of local authorities and their related structures.

Credit risk and counterparty risk

In addition to the credit risk related to traditional lending practices, Cassa Centrale Raiffeisen dell'Alto Adige is also exposed to a more limited extent to credit risk arising from securities and counterparty risks, mainly due to non-speculative securities positions, securities financing transactions and OTC derivative positions.

The securities portfolio is largely composed of Italian and European government securities with very limited credit risk, which do not carry any credit risk under the standardised approach of the supervisory regulations, but which, if held under the HTCS business model, can have an impact on the bank's own funds in the event of fluctuations in their value.

Counterparty risk arising from non-speculative activities in OTC derivatives and from securities financing transactions is low.

Information on the EBA Guidelines (EBA/GL/2020/07) is also published as part of the annual report "Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID 19 crisis".

2. Credit risk management policies

2.1 Organisational aspects

Organisational structure and brief outline of responsibilities

The organisational structure in charge of credit risk management corresponds to the standards applied by banks of similar size and complexity:

- the credit area is clearly separated from the sales area;
- the functions responsible for the credit investigation, monitoring and management phases are separate organisational units;
- The bank's personnel are competent, qualified, have the necessary know-how to handle even complex credit transactions, and are trained on a regular basis;
- The risk management function analyses and monitors risks both at the level of the entire portfolio and of a part of it;
- the bank established a credit committee that meets regularly once or twice a month.

The Sales Area is entrusted with customer consultancy and support. This function prepares the credit line proposal and also a written opinion on the customer's creditworthiness. Consultants within this function must also monitor the volume of business, the occurrence of overdue, the presence of loan back instalments, etc. for the customers assigned to them.

The Credit Area evaluates credit line proposals, carries out periodic credit reviews and also monitors credit performance. This function ensures an independent credit assessment process and the support of consultants in monitoring credit positions.

The Credit function is also responsible for preparing loan agreements, monitoring the performance of the entire loan portfolio through first level controls, regularly updating ratings and managing documentation relating to individual loans. This function is also responsible for monitoring the performance of credit transactions with groups of related customers.

The Risk Management function verifies, as part of its second-level controls, both the proper carrying out of credit monitoring and the development of credit risk at the level of the entire portfolio and part of it.

Credit risk is monitored, among other things, on the basis of the following areas of analysis:

- growth of the loans portfolio and individual segments thereof;
- credit quality of the portfolio and its changes (based on the assigned rating, allocation stage, classification, time, etc.);
- non-performing loans (amount, portion, coverage rate, recoverability rate etc.);
- impairment losses (of performing and non-performing loans, according to stages under IFRS 9 etc.);
- absorption of internal capital (capital at risk) for credit risk and related changes;

- expected credit losses and related changes (for the whole or part of the portfolio and for the different segments);
- provision of new loans (solvency, amounts, etc.);
- special lending (amount and portions, changes, solvency, etc.);
- loans characterised by overdue and/or past due payments;
- CRM techniques/provision of guarantees (amount and portions, external estimates, capital savings, etc.);
- concentration (accumulation risk, Herfindahl index, sectoral concentration, geographic concentration, by credit line, form of collateral, time bands, etc.);
- validation and backtesting of the rating model (portion of positions without rating, back revisions, overridings, backtesting of the rating model, of the SICR model for the identification of significant credit risk increases at the credit line level and of the econometric model);
- call risk (portion of undrawn credit lines);
- stress tests (ICAAP/ILAAP, recovery plan, econometric model for calculating lifetime PDs).

A significant component of the second-level controls in the credit area is represented by the quarterly meetings between the Credit Area and the risk management function.

Credit-related standards are set out in various policies and regulations of the credit, risk management and accounting areas, in which the following contents are regulated (although the list is not exhaustive):

- strategic objectives;
- objectives for credit risk management;
- organisational aspects;
- operating processes;
- criteria for classifying risk positions;
- methods for the monitoring of credit risk performance;
- methods for managing non-performing loans;
- criteria for the measurement of credit positions and the calculation of impairment losses;
- allocation of decision-making powers in the lending process;
- accounting methods and standards of performing and non-performing exposures.

In addition, various procedural and methodological descriptions have been formulated for the credit area, which are updated on an ongoing basis.

2.2 Management, measurement and control systems

<u>Main steps in the lending process</u>

The lending process of the Cassa Centrale Raiffeisen dell'Alto Adige varies according to the segment of borrowers. Therefore, depending on the segment (retail exposures, loans to businesses or specialised lending), there are different lending processes. The data on the loan application (requested loan, duration, amount of instalments, amortisation, etc.) are recorded electronically by means of a precise credit workflow. In the case of a new transaction, the credit process starts with the loan proposal and the documentation to be submitted. The subsequent assessment of the applicant's creditworthiness is based on predefined data from external and internal sources. In order to limit the financing risk, the Bank also checks whether the potential loan is properly structured, whether the type of loan requested is the appropriate financing instrument and, finally, whether the equity ratio for the exposure to the customer is appropriate in relation to the amount of the loan requested. As part of the decision-making process, the borrower's ability to repay was calculated, in addition to the standard credit assessment process. This calculation makes it possible to check whether the customer will be able to meet its financial commitments, i.e. whether the results achieved or expected will enable the debt to be repaid.

A rating is assigned to each borrower and this task is normally the responsibility of the Credit line Analysis sector (except for small loans). During the rating process, the borrowers in the loan portfolio are divided into subgroups that are as homogeneous as possible and assigned a rating class.

A fundamental requirement for credit assessment is the determination of solvency, which can also be derived from the assigned rating class and the default rate derived from the rating and the type of borrower segment. The bank's internal policies provide for the possibility of making manual changes to the rating obtained under certain conditions. For this purpose, a special override catalogue was defined, which lists the cases in which a manual rating change is allowed. However, the ratings assigned can be adjusted up or down by a maximum of two levels.

The potential risk of credit losses is limited by the acquisition of adequate collateral. As a rule, mortgages, personal guarantees, liens, savings books and securities of all kinds serve as collateral.

These instruments must comply with the requirements for guarantees covering claims set out in the internal policies.

After assessing the borrower's ability to pay, other factors affecting the borrower and the collateral securing the loan, it is possible to form an opinion on the borrower's creditworthiness in relation to the loan application. The information gathered is then grouped into a standardised assessment file, which is used by the managers to decide whether or not to grant the loan. In this context, the system of allocation of decision-making powers defined in internal policies applies.

<u>Other processes</u>

In addition to the lending process just described, the bank has a number of other procedures for analysing creditworthiness, approving, renewing and monitoring loans, etc.

<u>"Early warning" system</u>

The activities of the Monitoring and Anomalous Credit Service ensure the continuous and timely identification of changes in the solvency of individual borrowers and of significant increases in credit risk in accordance with IFRS 9.

This is an essential prerogative for the timely activation of credit risk management measures within the credit process by the relevant corporate functions (e.g. timely enforcement of credit guarantees).

The early warning system used in the credit area is essential for the activities of the credit monitoring function. It is based on a series of indicators, which are linked to specific triggers.

Non-performing exposures are systematically monitored and analysed, and appropriate action is taken, which may include reclassification of the underlying positions.

Disclosure of weightings applied to loans

Cassa Centrale Raiffeisen dell'Alto Adige applies the provisions introduced by Regulation (EU) 2020/873 to support SMEs, which provide for a support factor of 76.19% for credit exposures up to € 2.5 million and a support factor of 85% for amounts above € 2.5 million.

With measure no. 1454062/20 of 4 November 2020, the Bank of Italy officially approved the Raiffeisen Guarantee Scheme, the first Institutional Protection Scheme (IPS) in Italy. Pursuant to this measure, as from 31 December 2020, the members of the Raiffeisen Südtirol IPS Cooperative Society (RIPS) can assign a risk weight of zero per cent to loans and receivables with member institutions of the Raiffeisen IPS in accordance with Art. 113, paragraph 7 CRR. Cassa Centrale Raiffeisen dell'Alto Adige takes advantage of this opportunity.

Internal provisions and stress tests

The RAF of the Cassa Centrale Raiffeisen dell'Alto Adige defined a set of indicators and internal provisions for the containment and management of credit and concentration risk (loans and receivables with customers, exposures to banks and securities). Moreover, within the "extended RAF", additional operational provisions are set for Level 3 indicators to limit credit risk.

The development of the above indicators and compliance with the provisions of the RAF are constantly monitored by the Credit Area as part of first-level controls and by risk management as part of second-level controls. The Board of Directors is informed on a quarterly basis of the compliance with the established provisions. As part of the annual risk analysis of the risk management, credit and counterparty risks, together with other risks relevant to the bank, are subject to a specific risk analysis carried out by risk management at least once a year.

Credit risk is subject to specific stress tests as part of the ICAAP/ILAAP processes and the recovery plan. Moreover, the econometric model (satellite model) described above is used to calculate lifetime PD in accordance with IFRS 9.

With regard to point-in-time and forward-looking stress tests, on the concentration risk by single counterparty, the relevant simplified model envisaged by the Bank of Italy in Circular no. 285/13 is used (plus additional stress factors). On the other hand, the model developed by the Italian Banking Association (ABI) (plus additional stress factors) is used for point-in-time and forward-looking stress testing, in relation to geo-sector concentration risk.

2.3 Models for assessing credit risk and expected credit risk

Impact of the Covid-19 pandemic.

Cassa Centrale Raiffeisen dell'Alto Adige closely monitored the impact of the Covid-19 pandemic on lending during the past financial year 2022. Firstly, this was done by promptly monitoring the positions of customers who had taken advantage of the various Covid-19-related support measures provided by the Italian State, the Autonomous Province of Bolzano, the Italian Banking Association and the measures offered by the Bank. In granting the various support measures, the repayment capacity of the customers was taken into account and the guidelines and suggestions of the EBA, ECB, Bank of Italy and ESMA authorities were followed.

Models and methods used

The following models and methods are used to assess the credit risk positions with customers:

- standardised supervisory method for calculating capital requirements for credit risk;
- rating model for assessing risk positions vis-à-vis customers;

- IFRS 9 accounting standard and models used for the purposes of IFRS 9 (e.g. SICR model, econometric model to calculate lifetime PD to which scenarios and their probabilities of occurrence correspond, which are updated annually, etc.);
- early warning system for the credit area;
- monitoring and evaluation of credit positions at the level of the entire portfolio and part of it;
- benchmarking analysis;
- stress tests;
- annual validation of static models;
- risk assessments started in special situations (e.g. in case of abnormal risk development).
- the aforementioned second and third level RAF indicators.

Some of these methods are briefly described below.

Rating model

Cassa Centrale Raiffeisen dell'Alto Adige has a rating model that meets the following requirements:

- it was prepared on the basis of the default historical data of the Raiffeisen banking organisation (Raiffeisen banks and Cassa Centrale Raiffeisen dell'Alto Adige);
- it was developed with the support of external consultants experienced in statistical modelling, taking into account statistical techniques reflecting best market practice (e.g. using logistic regression to identify and model relevant indicators);
- refers to the default prudential definition;
- enables the assessment of all major segments of the bank's borrowing customers;
- enables the calculation of the expected loss to maturity for exposures allocated to stage 2 and 3 in accordance with IFRS 9 through the use of additional model parameters and internal rating-based modelling;
- includes expectations regarding the development of the macroeconomic environment (e.g. economic situation, unemployment) in the calculation of expected losses over the residual life of the instrument (ECL lifetime),

The rating model used at Cassa Centrale Raiffeisen dell'Alto Adige is based on three pillars:

- pillar 1: performance module;
- pillar 2: quantitative module;
- pillar 3: qualitative module.

The rating is calculated by assigning specific weights to the three pillars, which are defined for each segment of borrowing customers.

Manual changes (overrides) to ratings calculated using the model can only be made by the Credit Area, only in justified cases and on the basis of demonstrable objective criteria. It is therefore necessary that such changes are properly justified and documented.

Calculation of expected losses on loans and receivables

The parameters for calculating expected credit losses are in line with the provisions of IFRS 9. Loss given default (LGD) rates are formulated using forward-looking information and have been benchmarked to current market standards.

The lifetime PD calculation for exposures eligible for internal rating models has been updated to 30 November 2022. In this, both internal components based on historical default rates (point-in-time component) and macroeconomic components were considered in order to include forward-looking information. The three scenarios used are based on forecasts of relevant macroeconomic indicators (e.g. gross domestic product, unemployment rate, interest level or inflation) made by the Bank of Italy and the European Banking Authority (EBA) for the years 2023, 2024 and 2025 (Bank of Italy Macroeconomic Projections September 2022 and, EBA stress test 2021 for the definition of stress scenarios).

For exposures that cannot be rated using the internal rating model due to their characteristics, specific PD and LGD parameters are determined that are appropriate to their characteristics and risks. Two lifetime PD curves are used to assess these exposures; one was modelled for exposures to the government or government agencies, and the other was modelled for all banks and other counterparties that cannot be assessed using the internal model.

Increased PD for vulnerable sectors

In 2022, the economic context changed dramatically, mainly as a direct and indirect result of the war in Ukraine. Energy and commodity prices rose dramatically, leading to a sharp rise in inflation. For sectors that are vulnerable to this change in the economic context, including private, the level of provisions (impairment losses) was increased from November 2022 through specific increases in PD for the first three years of the lifetime PD.

Quantitative Stage Allocation Model (SICR Model) under IFRS 9

The quantitative measurement model was updated to monitor changes in credit risk and to identify significant increases. This model sets a limit value for each exposure. If this limit value is exceeded, the exposure is classified as stage 2. The parameters used to calculate the individual limit have been determined using a statistical method (quantile regression) for Private and Enterprise customer segments. This model takes into account relevant attributes of the credit exposures (e.g. change in PD, age of the exposure, maturity of the credit line). Credit risk is compared over the entire life of the exposure using lifetime PD. The model is reviewed annually and the benchmarks are updated as necessary.

The model applies to all products except securities. A simplified model based on changes in rating is used for securities.

2.4 Credit risk mitigation techniques

In accordance with the corporate objectives and the credit policy defined by the Board of Directors, the most frequently used method of credit risk mitigation (CRM) at Cassa Centrale Raiffeisen dell'Alto Adige is the acquisition of various types of personal and collateral security.

Cassa Centrale Raiffeisen dell'Alto Adige has not entered into netting agreements for on- and off-statement of financial position transactions and has not entered into any derivative contracts to hedge credit risk.

A portion of the loans of Cassa Centrale Raiffeisen dell'Alto Adige is secured by (normally first) mortgages: a deduction is applied to the appraised value of the mortgages and other collateral, determined according to the type of collateral acquired. Moreover, a significant portion of the loans is secured by personal guarantees, usually sureties issued, as the case may be, by the shareholders of the customer enterprises or by persons related to the borrowers. This is also accompanied by loans secured by state guarantees (e.g. SACE). The existence of collateral also determined the maximum credit line that is granted to a single customer or a group of related customers.

As at 31 December 2022, cash exposures secured by real and personal collateral represented 55.49% of the total loan portfolio to customers, of which 38.11% was secured by mortgages or pledges.

Loans and receivables with banks are mostly secured by securities (mainly government bonds).

Residual risk arising from the use of credit risk mitigation techniques is defined as the current and future risk of negative impact from mitigation techniques that prove to be less effective and appropriate than originally anticipated (e.g. inadequate collateral, difficulty in realising the collateral, lack of legal effectiveness).

Irrespective of the use of CRM techniques pursuant to the regulatory provisions, the relevant strategies, guidelines and regulations within Cassa Centrale Raiffeisen dell'Alto Adige are aimed at the prudent management of credit risk and normally provide for the acquisition of adequate collateral to protect the exposure (see section on credit risk).

The use of CRM techniques can expose the bank to additional risks (e.g. operational and legal risks) which can reduce or eliminate the effectiveness of the original guarantee. As a result, the risk exposure may be higher than originally estimated.

Exposures to banks are mostly collateralised by securities (mainly government bonds). Cassa Centrale Raiffeisen dell'Alto Adige uses CRM techniques for repo transactions, using government bonds or government-backed bonds, as well as for guarantees/sureties of local authorities.

CRM techniques are also applied for loans to small and medium-sized enterprises covered by a State guarantee (managed by Mediocredito Centrale).

The bank applies supervisory techniques for mortgage loans to mitigate credit risk (CRM techniques). In this regard, special internal regulations were drawn up in which the following contents are regulated:

- roles and responsibilities of the competent company officers and functions;
- the control and monitoring activities to be carried out throughout the life of the security on property;
- the criteria to be met by the guarantees to be acquired;
- operational standards for checking the general and specific requirements of mortgage guarantees.

In order to monitor the above-mentioned areas, for which CRM techniques are envisaged, control schedules have been integrated into the internal datamart. Moreover, the risk management function created a specific control area for CRM-related risks in its own tableau de bord, which is updated on a quarterly basis. This risk is also dealt with in the risk management's annual risk analysis.

The process of acquisition, processing and management of guarantees is continuously monitored. The Credit line Analysis sector monitors the acquisition of guarantees through line controls aimed at checking the adequacy of the documentation submitted. The Monitoring and

Anomalous Credit Service continuously monitors the development of the value of property held as collateral and requests that it be updated in cases defined by internal and external regulations.

The standards for the periodic updating of property value estimates are those defined by the Italian Banking Association (ABI). The updating of these estimates is based on both statistical methods (indexed and at least annual revaluation of properties) and analytical methods (valuation carried out by external experts according to standards defined by the bank).

During second-level controls in the credit area, the risk management function carries out specific control activities relating to the correct application of the standards defined for CRM techniques.

3. Non-performing loans

3.1 Management strategies and policies

In accordance with supervisory regulations, non-performing loans are divided into the following categories:

- bad loans;
- unlikely to pay;
- exposures past due and/or overdue by more than 90 days.

An individual borrower/counterparty approach is applied to exposures past due and/or overdue by more than 90 days. This means that the entire exposure of a borrower must be classified as exposures past due and/or overdue by more than 90 days, if one or more credit lines meet the criteria for this classification.

The management of non-performing loans is the responsibility of the Credit Area, which carries out the following tasks in this area:

- monitor exposures past due and/or overdue by more than 90 days and unlikely to pay, supporting in this the consultants who are in charge of first-level controls;
- take action to restore the regular performance of non-performing exposures;
- propose to the Management or the Board of Directors the return to "performing" classification of non-performing exposures, the implementation of restructuring plans, the withdrawal of credit lines, and the classification of non-performing exposures.

Cassa Centrale Raiffeisen dell'Alto Adige pays particular attention to the active management of non-performing loans.

3.2 Write-off of loans and receivables

IFRS 9 requires an entity to reduce the gross carrying amount of a financial asset when it has no reasonable expectation of recovering the full amount of the asset. In such cases, an impairment or write-off of the underlying asset is required.

The gross carrying amount of a financial asset must be reduced by the amount of the impairment loss.

Financial assets are to be adjusted with respect to their value or derecognised - in whole or in part - in the year in which the receivable is classified - in whole or in part - as irrecoverable.

In accordance with IFRS 9, an impairment loss may be recognised even before enforcement proceedings against the debtor have been fully completed. Derecognition does not imply a waiver by the bank of its legal right to recover the claim, which is the case with debt forgiveness whereby the bank waives its right to repayment.

In order for the claim to be derecognised, there must be certain and irrefutable elements confirming the irrecoverability of the claim. The criteria applicable within Cassa Centrale Raiffeisen dell'Alto Adige were laid down in internal regulations.

3.3 Purchased or originated credit-impaired financial assets

Purchased or originated credit-impaired financial assets refer to exposures where the credit risk is already very high at initial recognition.

In this area, there are two different types:

(i) instruments or portfolios of non-performing loans purchased on the market (purchased credit impaired - PCI);

(ii) credits disbursed by the bank to a customer already classified in stage 3 (originated credit impaired – OCI). The credit lines granted under restructuring agreements pursuant to Article 182 of the Bankruptcy Law are also classified as OCI, even if granted to newly acquired customers.

The identified OCI transaction will be classified as forborne non-performing if all conditions are met. If the cure period of at least one year is exceeded, the transaction may be classified as forborne performing in stage 2. Notwithstanding the transition to performing, and even after the two-year probation period, the OCI transaction can no longer be allocated to 1, as this classification is incompatible with the need for a measurement based on the ECL lifetime.

Cassa Centrale Raiffeisen dell'Alto Adige started to implement a process to identify POCI when the above requirements are met.

At the end of the reporting period, Cassa Centrale Raiffeisen dell'Alto Adige had no purchased or originated credit-impaired financial assets.

3.4 Financial assets subject to commercial renegotiations and subject to forbearance measures

Forbearance measures, as defined in the supervisory regulations, are granted to a debtor that is experiencing or is about to experience difficulties in meeting its financial commitments ("financial difficulties"). Therefore, a forbearance measure exists if the bank grants a borrower a forbearance to ease its financial difficulties. The classification as a forborne exposure is applied at the credit line level.

Forborne exposures can be divided into:

(a) performing exposures subject to forbearance measures;

(b) non-performing exposures subject to forbearance measures.

Exposures subject to forbearance measures must, in addition to meeting the requirements listed below, remain in the respective category for a specific period of time (cure period for non-performing exposures and/or probation period for performing exposures). In this context, the general principle is that the classification of the debtor and the forborne characteristic of the credit line must coincide, so that, for example, if there is a non-performing loan subject to forbearance measures, the entire debt position must be classified as non-performing.

Non-performing exposures subject to forbearance measures

If an exposure is classified as non-performing, there is no doubt that a financial difficulty exists. Accordingly, a forbearance measure granted for a non-performing exposure (or for an exposure that would otherwise be classified as non-performing) is always a forbearance measure. An exposure classified as forborne non-performing (i.e. non-performing subject to forbearance measures) must remain within this category for a cure period of at least one year.

The expected losses on non-performing loans subject to forbearance measures are determined according to the same criteria as for exposures allocated to stage 3.

Performing exposures subject to forbearance measures

This type of exposure must be subject to a probation period of at least two years. Non-performing exposures subject to forbearance measures that have exceeded the cure period are classified as performing exposures subject to forbearance measures. However, if applicable, the entire debt exposure must be classified as performing. If exposures previously classified as non-performing forborne exposures become 30 days past due or are again subject to forbearance measures during the two-year test period, they must be reclassified as non-performing forborne exposures.

3.5 Prudential backstop for non-performing loans (calendar provisioning)

On 26 April 2019, Regulation (EU) 2019/630 of the European Parliament and of the Council amending Regulation (EU) 575/2013 with regard to minimum loss coverage on non-performing exposures was published in the Official Journal of the European Union. This regulation defined the prudential treatment under Pillar I of non-performing loans (NPLs) granted as from 26 April 2019.

This new regulation complements the supervisory provisions on non-performing exposures and provides for a specific deduction from common equity tier 1 (CET 1) capital for non-performing exposures (NPEs) whose coverage level is below the minimum requirements of the supervisory regulations.

The regulation sets out the supervisory authority's quantitative expectations for minimum levels of prudential provisioning. This level is calculated on the basis of the period since which the loan is classified as non-performing ("vintage") and the presence of any guarantees.

The term NPE ("non-performing exposure") is an extension of the term NPL ("non-performing loan") and therefore includes exposures (loans and receivables and off-statement of financial position items) classified as:

- Bad loans
- Unlikely to pay
- Exposures past due and/or overdue by more than 90 days.

Therefore, in the context of Pillar 1, all exposures (at the individual credit line level) that originated as new transactions on or after 26 April 2019 and were subsequently classified as "non-performing" are to be considered.

Exposures incurred prior to this date are excluded from this scheme. However, if an increase in an existing loan is arranged at the level of a credit line or if the consolidation of one or more loans takes place, the minimum coverage requirements also apply to this new exposure.

Guarantees have a significant impact on the calculation of the amount of the minimum cover required. In this context, only guarantees that are identified in the schemes as eligible for credit risk mitigation (CRM) are taken into account.

The forbearance measures granted allow the bank to apply the minimum coverage ratio in force at the time of forbearance for an additional year. However, it should be noted that from the following year, the standard percentage of cover will apply if the borrower's exposure continues to be classified as non-performing despite the forbearance granted.

The reporting as at 31 December 2022 on the level of regulatory provisions did not reveal any shortfall in the coverage of Cassa Centrale Raiffeisen dell'Alto Adige's non-performing exposures (NPE) within the various time horizons. Therefore, no additional amount had to be deducted from the common equity tier 1 capital.

Section 2 - Market Risk

The sharp rise in the level of interest rates (the reference rate increased several times during 2022) had a significant impact on the performance of the bank's HTCS securities portfolio.

2.1 Interest rate risk and price risk – Regulatory trading book

According to the supervisory provisions, banks with a trading portfolio of less than 5% of total assets and a market value of less than € 50 million in absolute terms are not required to report market risks.

As at 31 December 2022, the Cassa Centrale Raiffeisen dell'Alto Adige held a trading portfolio that did not exceed the above-mentioned limits. At the end of the reporting period, financial assets and financial derivatives of € 164,014 thousand were recorded in the trading portfolio of Cassa Centrale Raiffeisen dell'Alto Adige.

2.2 Interest rate risk and price risk - Banking book

Qualitative information

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

Interest rate risk in the banking book (IRRBB) is the current and future risk of adverse effects on a bank's earnings and economic value arising from adverse changes in interest rates and affecting financial instruments sensitive to those rates. This category includes gap risk, basis risk and option risk.

Interest rate risk management is the responsibility of the Finance Area.

The identification of interest rate risk in the banking book is carried out by the Risk Management function, also with the support of the corporate functions involved in each operational process.

Interest rate risk is identified:

- as part of risk monitoring (identification of changes in risk and/or exceeding of predefined parameters);
- as part of the risk analyses carried out annually for the risk management function's annual report, for the RAF and ICAAP (identification of new risks or risks that have changed, also with a view to the future);
- as part of occasional analyses carried out when specific risk situations arise (identification of new risks, risks that have changed or have not been correctly assessed up to that point, possibly also with a view to the future).

Bank of Italy Circular no. 285/13 and the EBA/GL/2018/02 guidelines of 19 July 2018 require banks to use at least one profit-based measure and at least one economic value-based measure for measuring and monitoring IRRBB, which together capture all components of IRRBB.

Methods based on economic value make it possible to measure the impact of changes in market rates on financial instruments, liabilities and off-statement of financial position exposures that are sensitive to such changes. Therefore, these methods assess the impact of changes in market rates on the net value of the bank's assets.

On the other hand, profit-based methods highlight the impact of changes in market rates on the bank's future cash flows.

Accordingly, the risk management function of Cassa Centrale Raiffeisen dell'Alto Adige uses two corresponding models to measure the interest rate risk of the banking book:

- model for measuring the potential change in economic value (EV);
- model for measuring the potential change in net interest income (NII).

The first model is used to measure the potential change in economic value and, at the same time, the internal capital (or capital at risk) under Pillar 2, which serves to cover the interest rate risk on the banking book.

For a comprehensive assessment of the interest rate risk in the banking book, Risk Management considers the following factors, both in terms of economic value and profit:

- the current and future risk position;
- the change in the risk position or net interest margin over time, also considering their future development;
- compliance with current internal and external regulations.

In order to determine the capital at risk pursuant to the supervisory provisions (with reference to stress scenarios), in addition to the standard stress scenario involving a parallel shift of +/-200 basis points, a number of other scenarios are considered (pursuant to Bank of Italy Circular no. 285/13, in which reference is made to the relevant EBA guidelines):

1: parallel upward shock;

2: parallel downward shock;

3: upward shock in short-term interest rates;

4: downward shock in short-term interest rates;

5: steepener shock with an increase in the slope of the rate curve (fall in short-term rates and rise in long-term interest rates);

6: flattener shock with flattening of the slope of the rate curve (rise in short-term rates and fall in long-term interest rates);

Moreover, Cassa Centrale Raiffeisen dell'Alto Adige uses two other scenarios:

7: upward shock in long-term interest rates;

8: downward shock in long-term interest rates.

The Risk Management function performs a quarterly assessment of the interest rate risk using the two models mentioned above and referring to normal and stress scenarios. Moreover, as part of the ICAAP/ILAAP report, interest rate risk is measured with a view to the future, with reference to normal and stress scenarios.

In addition to the models observed so far, the risk management function of Cassa Centrale Raiffeisen dell'Alto Adige uses other indicators and tools to analyse and assess interest rate risk (e.g. bucket sensitivity).

The interest rate risk under the EV model is limited by RAF indicators (EV risk under stressed conditions (taking into account all stress scenarios mentioned above) to stressed Tier 1 capital and EV risk following the standard supervisory shock of +/-200 basis points to stressed supervisory capital).

The interest rate risk measured as part of the EV model with reference to normal scenarios (based on a 6-year cycle, taking into account the non-negativity condition for customer exposures and the minimum variable value for the remaining exposures, as established by the EBA in the aforementioned guidelines) amounted as at 31 December 2022, taking into account the 99th and 1st percentile (increase and decrease in interest rates, although interest rate changes were limited to 2% within the model), to € 37,973 thousand, i.e. 8.84% of capital requirements according to supervisory regulations.

The risk of change in the net interest margin (NII) amounts to € 7,862 thousand in the base case scenario in the case of an increase in interest rates and € -1,439 thousand in the case of a decrease in interest rates.

2.3 Exchange rate risk

Qualitative information

A. General aspects, management processes and measurement methods for currency risk

The exchange rate risk is measured using the model specifically prescribed by supervisory regulations.

Its measurement is based on the calculation of the "net foreign exchange position", i.e. the balance of all assets and liabilities (on-statement of financial position and off-statement of financial position) relating to each currency.

Due to its rather limited foreign currency operations, Cassa Centrale Raiffeisen dell'Alto Adige is only marginally exposed to the exchange rate risk. The main sources of exchange rate risk are financing and funding in foreign currencies and trading in foreign banknotes.

Moreover, currency positions held indirectly by the Cassa Centrale Raiffeisen dell'Alto Adige through the OEIC units are also included in the net foreign currency position and are recorded in the amount of the maximum foreign currency limit set in the respective investment mandates.

Due to the modest foreign exchange business, Cassa Centrale Raiffeisen dell'Alto Adige does not carry out any kind of stress test with regard to this risk.

Cassa Centrale Raiffeisen dell'Alto Adige constantly endeavours to limit the exchange rate risk.

Cassa Centrale Raiffeisen dell'Alto Adige monitors the development of exchange rate risk on a quarterly basis using a risk table.

B. Exchange rate risk hedging

The exchange rate risk is hedged by offsetting the currency positions held as much as possible.

Section 3 - Derivative Instruments and Hedging Policies

3.1 Hedge accounting

Qualitative information

A. Fair value hedges

As at 31 December 2022, Cassa Centrale Raiffeisen dell'Alto Adige carried out specific fair value hedging activities (micro and/or macro hedging).

Hedging is used to neutralise against changes in the fair value of deposits and loans caused by changes in the interest rate curve thereby stabilising the interest margin.

The main type of hedging instrument used by Cassa Centrale Raiffeisen dell'Alto Adige is the interest rate swap (IRS) derivative.

B. Cash flow hedges

The Cassa Centrale Raiffeisen dell'Alto Adige does not engage in cash flow hedges, i.e. hedges against exposure to variations in cash flows associated with variable-rate financial instruments.

Section 4 - Liquidity Risk

Qualitative information

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

The liquidity situation of the Cassa Centrale Raiffeisen dell'Alto Adige continued to remain at an adequate level. The bank is aware of the need to continuously monitor the liquidity situation, especially when the various refinancing measures expire and if the European Central Bank's restrictive monetary policy continues for a long time.

In 2022, Cassa Centrale Raiffeisen dell'Alto Adige participated in ECB's refinancing operations as the leading bank of the TLTRO III group. In parallel, a further bond issue was prepared and carried out.

<u>Risk definition and identification, risk factors related to sources of liquidity risk</u>

Liquidity risk is the present and future risk of failure to meet payment obligations, in whole or in part, over various time horizons (liquidity risk strictly speaking). Causes of default can be either the inability to obtain liquid assets in the market at reasonable conditions (funding liquidity risk) or the inability to liquidate assets (asset liquidity risk). Liquidity risk also includes the risk of being unable to obtain liquidity or liquidate assets under normal market conditions (market liquidity risk). Liquidity risk is often correlated with other risks and may therefore occur in addition to other types of risk.

The identification of liquidity risk is closely related to the bank's main strategic processes:

- finalisation of strategic and operational planning;
- RAF;
- ICAAP;
- ILAAP:
- Recovery Plan.

The liquidity risk identification process aims to determine all liquidity risk factors or causes to which the bank is exposed and which may have a significant impact on its liquidity position.

The underlying liquidity risk is determined through specific analyses and assessments, within which two macro areas can be distinguished in relation to the time horizon:

- short-term (or operational) liquidity, which in turn is divided into two sub-areas:
  - intraday liquidity, on the basis of which it is possible to measure the bank's ability to balance its daily cash inflows and outflows and to ensure adequate liquid resources at all times;
  - or short-term liquidity, on the basis of which it is possible to assess the Bank's ability to meet its expected and unforeseen payment obligations over a 12-month horizon;
- structural liquidity, which identifies any liquidity imbalances between assets and liabilities over a time horizon of more than one year.

<u>Main competent bodies and functions</u>

The main functions responsible for this area and their main tasks are presented below.

Board of Directors

As the body with strategic supervisory functions, the Board of Directors is responsible for the following tasks:

- defining and approving strategic guidelines, internal policies and regulations, risk appetite and tolerance thresholds of liquidity risk;

- approving the methods used to measure liquidity risk exposure and the key assumptions underlying the stress scenarios;
- defining the indicators and provisions of the Risk Appetite Framework (RAF) and the Contingency Funding Plan;

As a management body, the Board of Directors also has the following tasks:

- defining the main lines of the liquidity risk management process and ensuring that it is continuously updated;
- establishing the responsibilities of the corporate functions and structures involved in the liquidity risk management process;
- defining internal information flows aimed to ensure that corporate bodies and control functions are fully aware of and manage the factors affecting liquidity risk.

Management

The Management, which attends the meetings of the Board of Directors, is responsible for the following tasks:

- proposing the strategic guidelines and policies for managing liquidity risk in concert with the Finance Area;
- communicating the regulations and standards in force within the bank to the company functions involved;
- informing the Board immediately of any deterioration in the Bank's liquidity position.

Risk management

The Risk Management function is responsible for the following tasks:

- defining and proposing to the Board of Directors the factors to be considered for the identification of liquidity risk;
- establishing the methods for defining the liquidity risk exposure;
- defining the main assumptions underlying the stress scenarios;
- defining the liquidity risk indicators relevant to the RAF and the corresponding provisions;
- carrying out liquidity risk analyses from a point-in-time and forward-looking perspective, based on normal and stress scenarios;
- periodically monitoring liquidity risk and compliance with the relevant provisions;
- periodically preparing liquidity risk reports;
- notifying the Management and the qualified company functions if operational limits relating to liquidity risk are exceeded in order to ensure the activation of the envisaged escalation procedures;
- proposing, with the involvement of the relevant functions, the corrective actions envisaged in the Contingency Funding Plan;
- preparing and submitting reports on liquidity risk to the competent corporate bodies at least on a quarterly basis.

Finance Area

The Finance Area is responsible for the following tasks in the area of liquidity risk:

- monitoring the liquidity position with respect to different time horizons;
- preparing its own reports on the liquidity position and forwarding them to Management and the Risk Management function.

The Treasury & Funding sector

This function is responsible for the following tasks in connection with the management of the short-term liquidity position:

- monitoring and managing the liquidity position, daily funding and use of liquidity in accordance with defined procedures;
- accessing and operating on the money markets;
- monitoring and managing the level of the compulsory reserve established in the supervisory regulations (hereinafter also referred to as "ROB");
- monitoring the system of giro and settlement accounts;
- monitoring the portfolio of financial instruments that can be used for collateralised lending with the European Central Bank or corresponding markets (e.g. MTS);
- implementing all actions required to ensure compliance with the liquidity indicators envisaged by the supervisory regulations.

As part of the management of the medium- to long-term liquidity position, this function is also responsible for:

- preparing the funding plan to be submitted to the head of the Finance Area for approval and, immediately thereafter, to the Board of Directors.

Liquidity risk management process

The bank's liquidity risk management process consists of the following steps:

- risk identification (identification of the main risk factors, internal and external risk sources as well as operational activities that expose the bank to liquidity risk);
- risk analysis (analysis of all major risks and risk factors, definition of risk indicators and models, preparation of internal regulations);
- risk measurement and assessment (measurement/qualitative assessment of the liquidity risk);
- risk monitoring (continuous monitoring of risks and underlying indicators, control of compliance with internal and external regulations and standards, identification of risk trends);
- risk reporting and disclosure (timely reporting, the preparation and dissemination of which facilitates decision-making, consideration of possible changes in the current and future context, assessment of possible risk impacts and new opportunities, risk awareness, risk culture);
- risk management/risk mitigation/related interventions (implementation of actions and their documentation).

The establishment of a risk management process in line with the bank's strategic guidelines is an essential prerogative to effectively implement the risk policy defined by the competent bodies.

Liquidity risk management strategy

As part of its operations, Cassa Centrale Raiffeisen dell'Alto Adige strives to keep liquidity and refinancing risks within appropriate limits. In this context, liquidity risk management is based on the following principles:

- developing liquidity risk management and monitoring processes in accordance with the bank's organisational structure and with the aim of clearly defining the responsibilities of the corporate bodies and functions involved, as well as in compliance with the provisions of the supervisory body;
- ensuring the bank's financial balance by measuring and monitoring the short-term (including intraday) and medium- to long-term liquidity position, so that:
    - the bank can meet its payment obligations, both expected and unexpected, while minimising costs;

- an appropriate ratio between medium- to long-term assets and liabilities can be ensured in order, on the one hand, to, avoid burdens associated with short-term liquidity sources and, on the other hand, to optimise the cost of liquidity funding;

- establishing a liquidity risk assessment process based on internal and supervisory methods and models, carried out with reference to specific points in time and from a forward-looking perspective as well as on the basis of normal and stress scenarios;
- optimising access to markets in order to obtain financial resources, by maintaining an adequate degree of solvency of the bank and efficient management of liquidity flows;
- optimising the management of any internal or external liquidity crises, ensuring adequate and promptly effective escalation processes to enable timely action to be taken, also in accordance with the provisions of the Contingency Funding Plan.

The liquidity risk process is regulated by the relevant internal regulations.

On the other hand, in an additional regulation, Cassa Centrale Raiffeisen dell'Alto Adige defined a special Contingency Funding Plan. The latter defines the standards and processes by which the bank's liquidity profile can be kept under control, from the early stages of a developing liquidity crisis to the onset of a severe liquidity crisis, as well as ensuring the bank's business continuity.

In addition, the following measures are implemented within the bank:

- definition and cataloguing of different types of liquidity stress scenarios;
- definition and monitoring of indicators that - in addition to those already defined within the RAF - can identify the occurrence of stress or liquidity stress scenarios in advance;
- assignment to the relevant corporate bodies, committees and functions of the tasks and responsibilities required for the activation and implementation of the measures outlined in the Contingency Funding Plan (CFP);
- identification of potential actions to be taken in the event of a significant deterioration of the bank's liquidity position;
- periodic estimate of the maximum liquidity that can be generated (back-up liquidity) through the hypothetical activation of emergency measures.

Concentration, sources of liquidity

According to the AMM reporting template "C 67.00.a - concentration of funding by counterparty", the main sources of liquidity (>1% of liabilities) are concentrated in Repo transactions, i.e. funding backed by securities, although refinancing with the Central Bank accounts for about 80% of these large deposits.

Stress scenarios

Cassa Centrale Raiffeisen dell'Alto Adige analyses various stress scenarios with respect to liquidity risk, i.e. with regard to intraday liquidity risk, short-term liquidity risk and structural liquidity risk. Stress scenarios take into account both idiosyncratic and systemic risk factors. The results of the stress scenario analyses are used to calibrate the provisions of the RAF.

ALM application

Cassa Centrale Raiffeisen dell'Alto Adige has an ALM application conforming to industry best practice that enables it to monitor the development of its liquidity position and the underlying liquidity risk in a timely manner. Alongside this, Cassa Centrale Raiffeisen dell'Alto Adige adopted its own risk table, which is updated weekly and contains all relevant liquidity risk indicators.

Availability and liquidity position

The liquidity position of Cassa Centrale Raiffeisen dell'Alto Adige is stable:

- issue of bonds of € 40 million and two further issues of €6 million each in autumn 2022 to strengthen the medium- to long-term liquidity position;
- LCR values of >145%;
- participation in the European Central Bank's TLTRO III operations in the amount of € 2,170,350 thousand;
- NSFR value as at 31 December 2022 of 108.961%;
- concentration risk under AMM reporting;
- since the end of 2020, Cassa Centrale Raiffeisen dell'Alto Adige has also been using the "ABACO" portfolio to further strengthen its liquidity position;
- The fact that several Raiffeisen banks also use the "ABACO" portfolio has positive effects on the liquidity position of the entire Raiffeisen banking organisation;
- The bank's survival period according to the RAF indicator "Survival period (short-term liquidity)" is more than three months;
- the bank's liquidity reserve consists mainly of high quality liquid assets.

Section 5 - Operational Risk

The Covid-19 pandemic also led to changes in the working environment, e.g. increased use of home office work and remote meetings.

In cooperation with IT service provider RIS SCRL, the technical conditions for video conferencing were optimised and measures were implemented to improve remote digital collaboration with customers.

Qualitative information

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

Operational risk is the present and future risk of adverse impact due to the inadequacy or inefficiency of procedures, human resources and internal systems or external events. This definition also includes legal risks but not strategic or reputational risks.

Operational risk is clearly distinguished from other risks:

- it is a risk that often manifests itself at the level of an individual company;
- operational risks can occur across all areas of Cassa Centrale Raiffeisen dell'Alto Adige;
- there is no central correlation between risk and income, i.e. an increase in operational risk does not generally lead to an increase in income;
- the risks underlying operational risk and the risk factors underlying the sub-risks are very heterogeneous;
- with regard to operational risk, there is often poorly documented or inconsistent historical data;
- operational risk is often difficult to manage and measure;
- in most cases, operational risks are not taken consciously.

Cassa Centrale Raiffeisen dell'Alto Adige uses the following tools to identify, analyse and assess operational risk:

- the results of the internal audit relevant for operational risk;
- database for the identification and analysis of harmful events;
- self-assessments regarding risks and controls and analysis of different scenarios (primarily on IT risk and business continuity risk related to IT risk);
- definition of operational processes;
- risk and performance indicators;
- other activities for the identification and assessment of operational risks (e.g. external benchmark analyses, preparation, monitoring and implementation of action plans).

Cassa Centrale Raiffeisen dell'Alto Adige determines the capital requirement for operational risk using the basic indicator approach. This method refers to the "relevant indicator" for the quantification of this capital requirement.

The latter is 15 % of the three-year average of the relevant indicator (see Article 316 CRR).

The systematic identification of harmful events related to operational risk is a fundamental prerogative for the sound analysis and assessment of risks as they manifest themselves, and for the subsequent identification of appropriate control measures. Cassa Centrale Raiffeisen dell'Alto Adige has therefore created a database of harmful events in order to identify the circumstances that give rise to operational risks, and to analyse and assess the related risk exposures. In 2022, losses incurred due to operational risks amounted to less than 0.001% of the financial statement total.

Cassa Centrale Raiffeisen dell'Alto Adige has a Business Continuity Plan in place to protect it from crisis events that could disrupt normal operations. In this regard, the operational procedures to be adopted in the crisis scenarios considered were formalised and the roles and responsibilities of the various players involved were defined. The aforementioned plan also includes the Disaster Recovery Plan, which establishes the technical and organisational measures to be taken in the event of the unavailability of the information systems, even where the data processing activity has been assigned to a third party. The business continuity plan is reviewed annually and, if deemed appropriate, adjusted accordingly.

Cassa Centrale Raiffeisen dell'Alto Adige has defined its risk appetite for operational risk in the Risk Appetite Framework.

Other risks closely related to operational risk

Legal risk

Operational risks also include legal risks (including behavioural risk)

Pending legal proceedings

At the end of 2022, Cassa Centrale Raiffeisen dell'Alto Adige had pending legal proceedings. These are two cases concerning the intermediation of financial products and one case concerning the interpretation of contractual terms. The quantification of these risks was estimated at € 315,000.

ICT risk (information and communication technology risk)

The operations of Cassa Centrale Raiffeisen dell'Alto Adige are to a large extent dependent on IT systems. Information and communication technology risk (ICT risk) and business continuity risk are a subcategory of operational risk. In addition to its more direct impact (e.g. process interruption, loss of data, etc.), the latter can also give rise to compliance, reputational and strategic risks. ICT risk and business continuity risk are probably the most important high-frequency, low-impact risks for companies for whom technology and digitalisation are critical to the success of their business models. Such risks are rarely serious and may never occur. However, if these risks materialise, they can be very damaging, even to the point of undermining the company's existence and significantly damaging its reputation. A malfunctioning computer system can be very costly and, if the problem persists for a long time, can result in a significant loss of profit or, if inadequate precautions have been taken, can even threaten the very existence of the company. However, this risk can take many different forms. For example, a bank that does not invest sufficiently in new technologies may find itself excluded from the market in the medium to long term, as its competitors may offer better and higher quality services or have more automated processes. In addition, if a bank's software is not properly analysed and a flaw goes undetected for a long time, it can result in high costs and/or loss of reputation.

In addition to availability, the fundamental objectives of computer security include ensuring the confidentiality of important data, protection against manipulation, the ability to trace an action back to its originator, and the evidential value of data and computer-protected virtual operations and processes.

Investments are made to achieve these IT security objectives. These costs include hardware and software costs, installation costs and other operating costs. The added value results in the reduction of IT risk and the reduction of workload through the rationalisation of work processes.

Cassa Centrale Raiffeisen dell'Alto Adige, also through its consortium IT service provider RIS SCRL, implemented systems and processes to ensure that the following basic IT security requirements are met on an ongoing basis:

- Availability: The availability of a computer system or service is the degree to which it can be used without time constraints. The information is also only available and usable by authorised persons at defined times and with defined procedures.

- Confidentiality: The confidentiality of an IT service represents the degree to which the data to be protected is not accessible, i.e. only authorised persons have access to such data.
- Integrity: The integrity of an IT service is the level of protection of data against unauthorised changes, i.e. data cannot be modified or deleted by unauthorised persons. However, even authorised persons cannot accidentally change data;
- Authenticity: Authenticity is the degree to which data and changes can be attributed to their author. Authenticity means security in case of revision. This means that the IT service must be able to trace all significant operations, in particular with regard to the persons who carried them out.
- Binding nature: Binding nature is the extent to which changes and declarations of intent made electronically have evidential value.

Cassa Centrale Raiffeisen dell'Alto Adige is responsible for the ICT system it uses, even in the case of full outsourcing. Cassa Centrale Raiffeisen dell'Alto Adige uses the organised and consortium data processing centre of the Raiffeisen Südtirol IPS cooperative (RIPS), i.e. RIS SCRL. There is an agreement with this company for the provision of IT services. Cassa Centrale Raiffeisen dell'Alto Adige also uses key network services provided by Konverto S.p.A. The analysis and assessment of the risks related to the IT services outsourced by Cassa Centrale Raiffeisen dell'Alto Adige are carried out by the risk management of RIS SCRL and Konverto S.p.A. The relevant information is provided to Cassa Centrale Raiffeisen dell'Alto Adige on a regular basis.

With regard to information and communication technology risks, the RIPS system assumes that they should generally be avoided or kept to a minimum. Therefore, the RIPS system takes a restrictive approach to information and communication technology risk and the related business continuity risk;

This means that the risk appetite of the RIPS system is low in relation to IT and continuity risk. RIS SCRL takes all necessary measures to minimise IT risks and to avoid as far as possible any malfunctions or interruptions of IT services, as well as security problems and incidents.

As part of ICT (information, communication, technology) risks, the EBA (European Banking Authority) identifies the following risk categories within its SREP (Supervisory Review and Evaluation Process) framework, which aims, among other things, to monitor key indicators, analyse the business model and assess capital and liquidity risks, as well as banks' own funds and liquidity availability:

- ICT availability and continuity risk;
- ICT security risk;
- ICT change risk, understood as the process of adaptation;
- ICT data integrity risk;
- ICT outsourcing risk.

All IT risk assessments by RIS SCRL take this categorisation into account, so that the results can be directly adopted by the banks using RIS SCRL's IT services.

In addition, Cassa Centrale Raiffeisen dell'Alto Adige relies on the ISAE 3402 Type II certification carried out annually by RIS SCRL to analyse and assess the risks related to IT services.

To ensure continuous improvement of IT security, known security issues and reported technical deficiencies are dealt with in a transparent manner.

The IT-risk management team is responsible for handling security issues and reported technical shortcomings.

The general and specific measures required by Bank of Italy Circular no. 285/2013 for the protection of information and ICT resources (Chapter 4 -The Information System, Section IV -The Management of Information Security, 3. The Security of Information and ICT Resources) were implemented in accordance with the relevant regulations.

Reputational risk

Reputational risk is the present and future danger of negative effects resulting from damage to the image of Cassa Centrale Raiffeisen dell'Alto Adige. In general, reputational risk arises simultaneously with and as a consequence of other risks and can amplify other risks, in extreme cases creating a snowball effect.

Reputational risk is one of those risks that are difficult or impossible to quantify. Consequently, the measurement and assessment of this risk is carried out through the monitoring of risk indicators, the analysis of accidents related to operational risk that affect the image, and qualitative assessments. Analyses of different scenarios can be used to assess reputational risk with a view to the future.

Reputational risk can be managed by effectively managing the other risks.

The number of customer complaints at Cassa Centrale Raiffeisen dell'Alto Adige continues to be very low, which means that this risk can be classified as extremely low.

The following measures, which are part of Cassa Centrale Raiffeisen dell'Alto Adige's internal best practice, serve to effectively counter the occurrence of reputational risks:

entry into new lines of business or new markets is made only after careful analysis of the market characteristics and underlying risks;

when entering new areas of activity or new markets, but also in the carrying-out of the current business, compliance with ethical and moral principles (set out in the code of ethics/behaviour) takes precedence over the pursuit of profit maximisation;

any activity or transaction that exposes Cassa Centrale Raiffeisen dell'Alto Adige to an unquantifiable risk is disregarded in advance.

In 2022, Cassa Centrale Raiffeisen dell'Alto Adige recorded four customer complaints.

Part E - Information on risks and related hedging policies

Section 1 - Credit risk

A. Credit quality

A.1 Non-performing and performing loans: carrying amounts, impairment losses, trend, business distribution

A.1.1 Distribution of financial assets by portfolio and credit quality (carrying amounts)

Portfolio/Quality	Bad loans	Unlikely to pay	Past due non-performing loans	Past due performing loans	Other performing loans	**Total**
1. Financial assets measured at amortised cost	2,883	34,741	67	16,394	5,062,541	**5,116,625**
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	413,838	**413,838**
3. financial assets designated at fair value	-	-	-	-	-	**-**
4. Other financial assets mandatorily measured at fair value	-	-	-	-	408	**408**
5. Financial assets held for sale	-	-	-	-	-	-
Total 31/12/2022	**2,883**	34,741	**67**	16,394	**5,476,787**	**5,530,870**
Total 31/12/2021	**2,298**	**30,103**	**374**	**18,089**	**5,830,815**	**5,881,680**

A.1.2 Distribution of financial assets by portfolio and credit quality (gross amount and carrying amount)

Portfolio/Quality	Non-performing				Performing			Total (net exposure)
	Gross exposure	Total impairment losses	Net exposure	Total partial write-offs	Gross exposure	Total impairment losses	Net exposure	
1. Financial assets measured at amortised cost	76,465	38,775	37,690	-	5,098,724	19,789	5,078,935	**5,116,625**
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	414,016	178	413,838	**413,838**
3. financial assets designated at fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	X	X	408	408
5. Financial assets held for sale	-	-	-	-	-	-	-	-
Total 31/12/2022	**76,465**	**38,775**	**37,690**	**-**	**5,512,740**	**19,968**	**5,493,180**	**5,530,870**
Total 31/12/2021	**65,675**	**32,900**	**32,775**	**-**	**5,733,216**	**16,713**	**5,848,905**	**5,881,680**

Portfolio/Quality	Assets with a clear poor credit quality		Other assets
	Accumulated losses	Net exposure	Net exposure
1. Financial assets held for trading	-	-	6,047
2. Hedging derivatives	-	-	1,343
Total 31/12/2022	**-**	**-**	**7,389**
Total 31/12/2021	**-**	**-**	**1,412**

A.1.3 Distribution of financial assets by past due brackets (carrying amounts)

	Stage 1			Stage 2			Stage 3			purchased or originated credit-impaired		
Portfolios/risk stages	From 1 day to 30 days	From 30 days to 90 days	Beyond 90 days	Up to 30 days	From 30 days to 90 days	Beyond 90 days	Up to 30 days	From 30 days to 90 days	Beyond 90 days	Up to 30 days	From 30 days to 90 days	Beyond 90 days
1. Financial assets measured at amortised cost	11,979	-	-	3,971	442	1	3,201	415	10,796	-	-	77
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
3. Financial assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-
Total 31/12/2022	**11,979**	-	-	**3,971**	**442**	**1**	**3,201**	**415**	**10,796**	-	-	**77**
Total 31/12/2021	**9,231**	-	-	**5,737**	**2,941**	**181**	**5,473**	**360**	**6,225**	-	-	-

A.1.4 Financial assets, commitments to disburse funds and financial guarantees given: trend in total impairment losses and in total provisions

reasons/risk stages	Total impairment losses																	
		Assets included in stage 1						Assets included in stage 2						Assets included in stage 3				
	Assets with central banks	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment	of which: collective impairment	Assets with central banks	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment	of which: collective impairment	Assets with central banks	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment	of which: collective impairment
Opening total impairment losses	**-**	**8,032**	**296**	**-**	**(47)**	**9,187**	**-**	**8,385**	**-**	**-**	**(384)**	**9,038**	**-**	**32,900**	**-**	**-**	**47,723**	**(14,599)**
Increases from purchased or originated financial assets	105	2,588	49	-	-	2,742	-	167	-	-	-	167	-	3,037	-	-	2,802	235
Derecognitions other than write-offs	(750)	(515)	(56)	-	-	(1,321)	-	(163)	-	-	-	(163)	-	(125)	-	-	-	(125)
net impairment losses for credit risk (+/-)	(117)	(1,916)	(111)	-	-	(2,144)	-	3,278	-	-	-	3,278	-	3,949	-	-	7,414	(3,465)
Amendments to contracts without derecognition	-	-	-	-	-	-	-	(6)	-	-	-	(6)	-	(3)	-	-	-	(3)
Changes in the estimation method	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-off	-	-	-	-	-	-	-	-	-	-	-	-	-	(30)	-	-	-	(30)
Other changes	-	844	-	-	(18)	861	-	(782)	-	-	(255)	(527)	-	(7,253)	-	-	(3,629)	(3,624)
Closing balance	**(762)**	**9,033**	**178**	**-**	**(65)**	**9,325**	**-**	**10,879**	**-**	**-**	**(639)**	**11,787**	**-**	**32,474**	**-**	**-**	**54,310**	**(21,612)**
Recoveries from collections on financial assets subject to write-off	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs recognised directly in profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A.1.5 Financial assets, commitments to disburse funds and financial guarantees given: transfers between different stages of credit risk (gross and nominal amounts)

Portfolios/risk stages	Gross amounts/nominal amount					
	Transfers from stage 1 to stage 2		Transfers from stage 2 to stage 3		Transfers from stage 1 to stage 3	
	From stage 1 to stage 2	**From stage 2 to stage 1**	**From stage 2 to stage 3**	**From stage 3 to stage 2**	**From stage 1 to stage 3**	**From stage 3 to stage 1**
1. Financial assets measured at amortised cost	98,213	31,325	12,754	2,737	9,899	-
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	27,060	24,505	425	406	736	-
Total 31/12/2022	**125,272**	**55,830**	**13,179**	**3,144**	**10,635**	**-**
Total 31/12/2021	**89,580**	**25,899**	**9,763**	**-**	**17,294**	**32**

A.1.5a Loans subject to Covid-19 support measures: transfers between different stages of credit risk:

	Transfers from stage 1 to stage 2		Transfers from stage 2 to stage 3		Transfers from stage 1 to stage 3	
	From stage 1 to stage 2	**From stage 2 to stage 1**	**From stage 2 to stage 3**	**From stage 3 to stage 2**	**From stage 1 to stage 3**	**From stage 3 to stage 1**
A. Financial assets measured at amortised cost	**7,864**	**6,107**	**2,317**	**1,741**	**2,688**	-
A.1 GL-compliant forborne loans	3,467	4,929		1,741	604	-
A.2 existing moratorium measures that no longer comply with the GL and are not considered as forborne	-	-	-	-	-	-
A.3 other forborne loans	-	-	-	-	-	-
A.4 new loans	4,397	1,178	2,137	-	2,083	-
B. Loans measured at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**
B.1 GL-compliant forborne loans	-	-	-	-	-	-
B.2 existing moratorium measures that no longer comply with the GL and are not considered as forborne	-	-	-	-	-	-
B.2 Other forborne loans	-	-	-	-	-	-
B.3 new loans	-	-	-	-	-	-
Total 31/12/2022	**7,864**	**6,107**	**2,317**	**1,741**	**2,688**	**-**
Total 31/12/2021	**13,053**	**25**	**3,632**	**143**	**1,000**	**-**

A.1.6 On and off-statement of financial position credit exposures with banks: gross amount and carrying amount

Type of exposure/Amounts	Gross exposure					Total impairment losses and total provisions					Net exposure	Total partial write-offs*
		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
A. ON-STATEMENT OF FINANCIAL POSITION CREDIT EXPOSURES												
A.1 AT SIGHT	**305,968**	**305,968**	**-**	**-**	**-**	**165**	**165**	**-**	**-**	**-**	**305,802**	**-**
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	305,968	305,968	-	X	-	165	165	-	X	-	305,802	-
A.2 OTHER	**2,311,994**	**2,311,994**	**-**	**-**	**-**	**1,240**	**1,240**	**-**	**-**		**2,310,754**	
a) Bad loans	-	X	-	-	-	-	X	-	-	-	-	-
-of which: forbearance exposures	-	X	-	-	-	-	X	-	-	-	-	-
b) Unlikely to pay	-	X	-	-	-	-	X	-	-	-	-	-
-of which: forbearance exposures	-	X	-	-	-	-	X	-	-	-	-	-
c) Past due non-performing loans	-	X	-	-	-	-	X	-	-	-	-	-
-of which: forbearance exposures	-	X	-	-	-	-	X	-	-	-	-	-
d) Past due performing loans	-	-	-	X	-	-	-	-	X	-	-	-
-of which: forbearance exposures	-	-	-	X	-	-	-	-	X	-	-	-
e) Other performing loans	2,311,994	2,311,994	-	X	-	1,240	1,240	-	X	-	2,310,754	-
-of which: forbearance exposures	-	-	-	X	-	-	-	-	X	-	-	-
TOTAL (A)	**2,617,962**	**2,617,962**	**-**	**-**	**-**	**1,405**	**1,405**	**-**	**-**		**2,616,556**	
B. OFF-STATEMENT OF FINANCIAL POSITION CREDIT EXPOSURES	-	-	-	-	-	-	-	-	-	-	-	-
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	1,003,943	995,536	-	X	-	299	299	-	X	-	1,003,643	-
TOTAL (B)	**1,003,943**	**995,536**	**-**	**-**	**-**	**299**	**299**	**-**	**-**	**-**	**1,003,643**	
TOTAL (A+B)	**3,621,904**	**3,613,498**	**-**	**-**	**-**	**1,705**	**1,705**	**-**	**-**	**-**	**3,620,200**	

A.1.7 On and off-statement of financial position credit exposures with customers: gross amount and carrying amount

Type of exposure/Amounts	**Gross exposure**					**Total impairment losses and total provisions**					**Net exposure**	**Total partial write-offs***
		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
A. ON-STATEMENT OF FINANCIAL POSITION CREDIT EXPOSURES												
a) Bad loans	10,853	X	-	8,646	2,207	7,971	X	-	5,841	2,130	2,883	-
-of which: forbearance exposures	-	X	-	-	-	-	X	-	-	-	-	-
b) Unlikely to pay	65,536	X	-	55,235	10,301	30,795	X	-	26,771	4,025	34,741	-
-of which: forbearance exposures	27,125	X	-	25,026	2,009	12,836	X	-	12,297	539	14,289	-
c) Past due non-performing loans	76	X	-	76	-	9	X	-	9	-	67	-
-of which: forbearance exposures	-	X	-	-	-	-	X	-	-	-	-	-
d) Past due performing loans	16,788	12,326	4,462	X	-	394	124	270	X	-	16,394	-
-of which: forbearance exposures	2,031	-	2,031	X	-	147	-	147	X	-	1,884	-
e) Other performing loans	3,184,366	2,940,652	243,109	X	198	18,334	7,701	10,609	X	24	3,166,033	-
-of which: forbearance exposures	83,245	-	83,245	X	-	3,476	-	3,476	X	-	79,770	-
TOTAL (A)	**3,277,619**	**2,952,978**	**247,571**	**63,957**	**12,706**	**57,503**	**7,825**	**10,879**	**32,620**	**6,178**	**3,220,116**	**-**
B. OFF-STATEMENT OF FINANCIAL POSITION CREDIT EXPOSURES												
a) Non-performing	11,526	X	-	6,083	5,443	1,792	X	-	1,239	553	9,734	-
b) Performing	818,993	775,036	43,825	X	130	1,123	823	298	X	2	817,870	-
TOTAL (B)	**830,519**	**775,036**	**43,825**	**6,083**	**5,573**	**2,915**	**823**	**298**	**1,239**	**554**	**827,604**	**-**
TOTAL (A+B)	**4,108,138**	**3,728,014**	**291,395**	**70,040**	**18,279**	**60,418**	**8,648**	**11,177**	**33,859**	**6,733**	**4,047,720**	**-**

A.1.7a On-statement of financial position credit exposures with customers subject to Covid-19 support measures: gross amount and carrying amount

Type of exposure/Amounts	Gross exposure					Total impairment losses and total provisions					Net exposure	Total partial write-offs*
		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
A. Bad loans	-	-	-	-	-	-	-	-	-	-	-	-
a) GL-compliant forborne loans	-	-	-	-	-	-	-	-	-	-	-	-
b) existing moratorium measures that no longer comply with the GL and are not considered as forborne	-	-	-	-	-	-	-	-	-	-	-	-
c) other forborne loans	-	-	-	-	-	-	-	-	-	-	-	-
d) new loans	-	-	-	-	-	-	-	-	-	-	-	-
B. Unlikely to pay loans	9,893	-	-	9,893	-	4,210	-	-	4,210	-	(5,683)	-
a) GL-compliant forborne loans	604	-	-	604	-	125	-	-	125	-	(480)	-
b) existing moratorium measures that no longer comply with the GL and are not considered as forborne	-	-	-	-	-	-	-	-	-	-	-	-
c) other forborne loans	3,870	-	-	3,870	-	2,722	-	-	2,722	-	(1,148)	
d) new loans	5,419	-	-	5,419	-	1,363	-	-	1,363	-	(4,056)	
C. Past due non-performing loans	-	-	-	-	-	-	-	-	-	-	-	-
a) GL-compliant forborne loans	-	-	-	-	-	-	-	-	-	-	-	-
b) existing moratorium measures that no longer comply with the GL and are not considered as forborne	-	-	-	-	-	-	-	-	-	-	-	-
c) other forborne loans	-	-	-	-	-	-	-	-	-	-	-	-
d) new loans	-	-	-	-	-	-	-	-	-	-	-	-
D. Past due performing loans	146	127	19	-	-	4	3	1	-	-	(142)	-
a) GL-compliant forborne loans	-	-	-	-	-	-	-	-	-	-	-	-
b) existing moratorium measures that no longer comply with the GL and are not considered as forborne	-	-	-	-	-	-	-	-	-	-	-	-
c) other forborne loans	-	-	-	-	-	-	-	-	-	-	-	-
d) new loans	146	127	19	-	-	4	3	1	-	-	(142)	-
E. Performing loans	154,688	127,456	27,232	-	-	2,179	472	1,707	-	-	(152,509)	-
a) GL-compliant forborne loans	93,249	77,223	16,026	-	-	1,572	311	1,261	-	-	(91,677)	-
b) existing moratorium measures that no longer comply with the GL and are not considered as forborne	-	-	-	-	-	-	-	-	-	-	-	-
c) other forborne loans	5,759	-	5,759	-	-	242	-	242	-	-	(5,517)	-
d) new loans	55,680	50,233	5,447	-	-	365	161	204	-	-	(55,315)	-
Total (A+B+C+D+E)	**164,727**	**127,583**	**27,251**	**9,893**	**-**	**6,393**	**475**	**1,708**	**4,210**	**-**	**(158,334)**	**-**

A.1.9 On-statement of financial position credit exposures with customers: gross non-performing loans

Causes/Quality	Bad loans	Unlikely to pay	Past due non-performing loans
A. Opening gross exposure	**11,836**	**53,386**	**453**
-of which: exposures transferred and not cancelled	-	-	-
B. Increases	**7,997**	**30,266**	**284**
B.1 transfers from performing loans	-	24,775	283
B.2 transfers from purchased or originated credit-impaired financial assets	-	-	-
B.3 transfers from other categories of non-performing loans	6,141	211	-
B.4 amendments to contracts without derecognition	-	-	-
B.5 other increases	1,856	5,280	1
C. Decreases	**8,979**	**20,207**	**235**
C.1 transfers to performing loans	1,509	3,148	-
C.2 write-off	1,674	-	-
C.3 collections	4,520	10,123	23
C.4 gains on sales	976	-	-
C.5 losses on sale	299	-	-
C.6 transfers to other categories of non-performing loans	-	6,141	211
C.7 amendments to contracts without derecognition	-	-	-
C.8 other decreases	-	795	2
D. Closing gross exposure	**10,853**	**63,445**	**501**
-of which: exposures transferred and not cancelled	-	-	-

A.1.9 bis On-statement of financial position credit exposures with customers: gross forborne exposures broken down by credit quality

Causes/Quality	Non-performing forbearance exposures	Other forbearance exposures
A. Opening gross exposure	**29,759**	**97,191**
-of which: exposures transferred and not cancelled	-	-
B. Increases	5,831	**10,827**
B.1 transfers from performing non-forborne exposures	-	**6,423**
B.2 transfers from performing forborne exposures	4,055	X
B.3 transfers from non-performing forborne exposures	X	3,543
B.4 transfers from non-performing non-forborne exposures	1,563	-
B.5 other increases	213	861
C. Decreases	**8,135**	**21,216**
C.1 transfers to performing non-forborne exposures	X	155
C.2 transfers to performing forborne exposures	3,543	X
C.3 transfers to non-performing forborne exposures	X	4,055
C.4 write-off	-	-
C.5 collections	4,524	13,089
C.6 gains on sales	-	-
C.7 losses on sale	-	3,691
C.8 other decreases	67	226
D. Closing gross exposure	**27,455**	**86,802**
-of which: exposures transferred and not cancelled	-	-

A.1.11 On-statement of financial position non-performing credit exposures with customers: total impairment losses

Causes/Categories	Bad loans		Unlikely to pay		Past due non-performing loans	
	Total	of which: forbearance exposures	Total	of which: forbearance exposures	Total	of which: forbearance exposures
A. Opening total impairment losses	**9,538**	**1,199**	**23,283**	**11,165**	**79**	**76**
-of which: exposures transferred and not cancelled	-	-	-	-	-	-
B. Increases	**5,626**	**-**	**16,627**	**4,325**	**16**	**7**
B.1 impairment losses from purchased or originated credit-impaired financial assets	164	X	2,709	X	-	X
B.2 other impairment losses	1,589	-	13,177	4,077	9	-
B.3 losses on sale	-	-	-	-	-	-
B.4 transfers from other categories of non-performing loans	1,936	-	10	7	-	-
B.5 amendments to contracts without derecognition	-	-	-	-	-	-
B.6 other increases	1,936	-	731	241	7	7
C. Decreases	**5,383**	**1,325**	**8,991**	**3,768**	**10**	**7**
C.1 reversals of impairment losses due to valuation	557	41	2,946	1,583	-	-
C.2 reversals of impairment losses due to collections	2,222	1,285	3,292	169	-	-
C.3 gains on sale	631	-	-	-	-	-
C.4 write-off	1,674	-	-	-	-	-
C.5 transfers to other categories of non-performing loans	-	-	1,936	1,405	10	7
C.6 amendments to contracts without derecognition	-	-	-	-	-	-
C.7 other decreases	299	-	817	611	-	-
D. Closing total impairment losses	**9,780**	**(126)**	**30,919**	**11,722**	**85**	**76**
-of which: exposures transferred and not cancelled	-	-	-	-	-	-

A.2 Classification of exposures based on internal and external ratings

The production structure in the Autonomous Province of Bolzano is characterised by a large number of small and medium-sized enterprises, which are mainly financed by the local banking system and by their own resources.

At present, few companies have an external rating.

A.3 Distribution of secured credit exposures by type of guarantee

A.3.1 On and off-statement of financial position secured credit exposures with banks

	Gross exposure	Net exposure	Collaterals (1)				Personal guarantees (2)									Total (1)+(2)
							Credit derivatives					Endorsement credits				
								Other derivatives								
			Property - mortgages	-Properties - Finance	Securities	Other collaterals	CLN	Public administrations	Banks	Other financial	Other parties	Central counterparties	Banks	Other financial	Other parties	
1. On-statement of financial position secured credit exposures	**2,145,441**	**2,144,290**	**-**	**-**	**1,806,657**	**335,929**	-	-	-	-	-	-	-	-	-	**-**
1.1 fully secured	2,145,441	2,144,290	-	-	1,806,657	335,929	-	-	-	-	-	-	-	-	-	-
-of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 partially secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Off-statement of financial position secured credit exposures:	**1,103**	**1,100**	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
2.1 fully secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 partially secured	1,103	1,100	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A.3.2 On and off-statement of financial position secured credit exposures with customers

			Collaterals (1)				Personal guarantees (2)									
							Credit derivatives					Endorsement credits				
								Other derivatives								
	Gross exposure	Net exposure	Property - mortgages	-Properties - Finance leases	Securities	Other collaterals	CLN	Public administrations	Banks	Other financial companies	Other parties	Central counterparties	Banks	Other financial companies	Other parties	**Total (1)+(2)**
1. On-statement of financial position secured credit exposures	**1,605,616**	**1,557,032**	**604,449**	**328,230**	**-**	**136,732**	**-**	**-**	**-**	**-**	**-**	**141,743**	**12,770**	**5,819**	**193,807**	**1,423,551**
1.1 fully secured	1,282,732	1,241,560	579,616	325,850	-	133,511	-	-	-	-	-	48,653	10,276	4,884	117,200	1,219,989
-of which non-performing	56,137	29,086	20,662	3,683	-	674	-	-	-	-	-	1,632	64	259	2,112	29,086
1.2 partially secured	322,884	315,472	24,883	2,380	-	3,222	-	-	-	-	-	93,090	2,494	936	76,608	203,562
-of which non-performing	12,503	7,414	3,110	-	-	-	-	-	-	-	-	3,492	642	-	-	7,244
2. Off-statement of financial position secured credit exposures:	**171,504**	**169,760**	**-**	**-**	**-**	**16,209**	**-**	**-**	**-**	**-**	**-**	**221**	**4,990**	**17,875**	**102,263**	**141,558**
2.1 fully secured	65,965	65,520	-	-	-	5,979	-	-	-	-	-	20	4,663	12,652	42,262	65,516
-of which non-performing	961	630	-	-	-	16	-	-	-	-	-	-	-	-	614	630
2.2 partially secured	105,538	104,240	-	-	-	10,290	-	-	-	-	-	201	327	5,223	60,001	76,042
-of which non-performing	8,164	7,021	-	-	-	1,492	-	-	-	-	-	-	-	1,495	2,483	5,470

B. Distribution and concentration of credit exposures

B.1 Distribution of on and off-statement of financial position credit exposures with customers by business segment

Exposures/Counterparties	Public administrations		Financial companies		Financial companies (of which: insurance companies)		Non-financial companies			Households
	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses
A. On-statement of financial position credit exposures										
A.1 Bad loans	-	-	-	-	-	-	-	-	-	-
-of which: forbearance exposures	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	187	21	-	-	-	-	-	-
-of which: forbearance exposures	-	-	-	-	-	-	-	-	-	-
A.3 Past due non-performing loans	-	-	-	-	-	-	-	-	-	-
-of which: forbearance exposures	-	-	-	-	-	-	-	-	-	-
A.4 Performing loans	1,286,312	533	94,152	451	-	-	-	-	-	-
-of which: forbearance exposures	-	-	4,688	31	-	-	-	-	-	-
Total A	**1,286,312**	**533**	**94,698**	**472**	**-**	**-**	**-**	**-**	**-**	**-**
B. Off-statement of financial position credit exposures										
B.1 Non-performing loans	-	-	-	-	-	-	-	-	-	-
B.2 Performing loans	4,921	2	27,722	15	-	-	-	-	-	-
Total B	4,921	2	27,722	15	-	-	-	-	-	-
TOTAL (A+B) (2022)	**1,292,233**	**555**	**122,421**	**487**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL (A+B) (2021)	**1,356,000**	**1,037**	**102,209**	**1,634**	**-**	**-**	**2,241,702**	**44,385**	**208,518**	**2,566**

B.4 Large exposures

Description	31/12/2022	31/12/2021
a) Amount (carrying amount)	5,331,577	5,515,327
b) Amount (weighted amount)	192,519	159,289
c) Number	37	33

The breakdown of major risks is set below:

a) Banks: 28 (of which 27 Raiffeisen banks)
b) Asset management company: 0
c) Countries: 5
d) Customers: 4

Section 2 - Market risk

The sharp rise in the level of interest rates (the reference rate increased several times during 2022) had a significant impact on the performance of the bank's HTCS securities portfolio.

2.1 Interest rate risk and price risk - Regulatory trading book

According to the supervisory provisions, banks with a trading portfolio of less than 5% of total assets and a market value of less than € 50 million in absolute terms are not required to report market risks.

As at 31 December 2022, the Cassa Centrale Raiffeisen dell'Alto Adige held a trading portfolio that did not exceed the above-mentioned limits. At the end of the reporting period, financial assets and financial derivatives of € 164,014 thousand were recorded in the trading portfolio of Cassa Centrale Raiffeisen dell'Alto Adige.

2.2 Interest rate risk and price risk - Banking book

Qualitative information

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

Interest rate risk in the banking book (IRRBB) is the current and future risk of adverse effects on a bank's earnings and economic value arising from adverse changes in interest rates and affecting financial instruments sensitive to those rates. This category includes gap risk, basis risk and option risk.

Interest rate risk management is the responsibility of the Finance Area.

The identification of interest rate risk in the banking book is carried out by the Risk Management function, also with the support of the corporate functions involved in each operational process.

Interest rate risk is identified:

- as part of risk monitoring (identification of changes in risk and/or exceeding of predefined parameters);
- as part of the risk analyses carried out annually for the risk management function's annual report, for the RAF and ICAAP (identification of new risks or risks that have changed, also with a view to the future);
- as part of occasional analyses carried out when specific risk situations arise (identification of new risks, risks that have changed or have not been correctly assessed up to that point, possibly also with a view to the future).

Bank of Italy Circular no. 285/13 and the EBA/GL/2018/02 guidelines of 19 July 2018 require banks to use at least one profit-based measure and at least one economic value-based measure for measuring and monitoring IRRBB, which together capture all components of IRRBB.

Methods based on economic value make it possible to measure the impact of changes in market rates on financial instruments, liabilities and off-statement of financial position exposures that are sensitive to such changes. Therefore, these methods assess the impact of changes in market rates on the net value of the bank's assets.

On the other hand, profit-based methods highlight the impact of changes in market rates on the bank's future cash flows.

Accordingly, the risk management function of Cassa Centrale Raiffeisen dell'Alto Adige uses two corresponding models to measure the interest rate risk of the banking book:

- model for measuring the potential change in economic value (EV);
- model for measuring the potential change in net interest income (NII).

The first model is used to measure the potential change in economic value and, at the same time, the internal capital (or capital at risk) under Pillar 2, which serves to cover the interest rate risk on the banking book.

For a comprehensive assessment of the interest rate risk in the banking book, Risk Management considers the following factors, both in terms of economic value and profit:

- the current and future risk position;
- the change in the risk position or net interest margin over time, also considering their future development;
- compliance with current internal and external regulations.

In order to determine the capital at risk pursuant to the supervisory provisions (with reference to stress scenarios), in addition to the standard stress scenario involving a parallel shift of +/- 200 basis points, a number of other scenarios are considered (pursuant to Bank of Italy Circular no. 285/13, in which reference is made to the relevant EBA guidelines):

1: parallel upward shock;

2: parallel downward shock;

3: upward shock in short-term interest rates;

4: downward shock in short-term interest rates;

5: steepener shock with an increase in the slope of the rate curve (fall in short-term rates and rise in long-term interest rates);

6: flattener shock with flattening of the slope of the rate curve (rise in short-term rates and fall in long-term interest rates);

Moreover, Cassa Centrale Raiffeisen dell'Alto Adige uses two other scenarios:

7: upward shock in long-term interest rates;

8: downward shock in long-term interest rates.

The Risk Management function performs a quarterly assessment of the interest rate risk using the two models mentioned above and referring to normal and stress scenarios. Moreover, as part of the ICAAP/ILAAP report, interest rate risk is measured with a view to the future, with reference to normal and stress scenarios.

In addition to the models observed so far, the risk management function of Cassa Centrale Raiffeisen dell'Alto Adige uses other indicators and tools to analyse and assess interest rate risk (e.g. bucket sensitivity).

The interest rate risk under the EV model is limited by RAF indicators (EV risk under stressed conditions (taking into account all stress scenarios mentioned above) to stressed Tier 1 capital and EV risk following the standard supervisory shock of +/-200 basis points to stressed supervisory capital).

The interest rate risk measured as part of the EV model with reference to normal scenarios (based on a 6-year cycle, taking into account the non-negativity condition for customer exposures and the minimum variable value for the remaining exposures, as established by the EBA in the aforementioned guidelines) amounted as at 31 December 2022, taking into account the 99th and 1st percentile (increase and decrease in interest rates, although interest rate changes were limited to 2% within the model), to € 37,973 thousand, i.e. 8.84% of capital requirements according to supervisory regulations.

The risk of change in the net interest margin (NII) amounts to € 7,862 thousand in the base case scenario in the case of an increase in interest rates and € -1,439 thousand in the case of a decrease in interest rates.

2.3 Exchange rate risk

Qualitative information

A. General aspects, management processes and measurement methods for currency risk

The exchange rate risk is measured using the model specifically prescribed by supervisory regulations.

Its measurement is based on the calculation of the "net foreign exchange position", i.e. the balance of all assets and liabilities (on-statement of financial position and off-statement of financial position) relating to each currency.

Due to its rather limited foreign currency operations, Cassa Centrale Raiffeisen dell'Alto Adige is only marginally exposed to the exchange rate risk. The main sources of exchange rate risk are financing and funding in foreign currencies and trading in foreign banknotes.

Moreover, currency positions held indirectly by the Cassa Centrale Raiffeisen dell'Alto Adige through the OEIC units are also included in the net foreign currency position and are recorded in the amount of the maximum foreign currency limit set in the respective investment mandates.

Due to the modest foreign exchange business, Cassa Centrale Raiffeisen dell'Alto Adige does not carry out any kind of stress test with regard to this risk.

Cassa Centrale Raiffeisen dell'Alto Adige constantly endeavours to limit the exchange rate risk.

Cassa Centrale Raiffeisen dell'Alto Adige monitors the development of exchange rate risk on a quarterly basis using a risk table.

B. Exchange rate risk hedging

The exchange rate risk is hedged by offsetting the currency positions held as much as possible.

Section 2 - Market risk

2.1 INTEREST RATE RISK AND PRICE RISK - REGULATORY TRADING BOOK

Quantitative information

1. Regulatory trading book: distribution by residual maturity (by re-pricing date) of on-statement of financial position financial assets and liabilities and financial derivatives

Currency €

Type/Residual duration	at sight	up to 3 months	from 3 months to 6 months	from 6 months to 1	from 1 year to 5 years	from 5 years to 10 years	beyond 10 years	unspecified maturity
1. On-statement of financial position assets	-	-	-	-	-	-	-	**5,968**
1.1 Debt securities	-	-	-	-	-	-	-	179
- with early repayment option	-	-	-	-	-	-	-	123
- other	-	-	-	-	-	-	-	56
1.2 Other assets	-	-	-	-	-	-	-	5,789
2. On-statement of financial position liabilities	-	-	-	-	-	--	-	-
2.1 Repurchase agreements	-	-	-	-	-		-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	**6,617**	**62,228**	**12,802**	**3,207**	**29,255**	**33,511**	**10,456**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	6,617	62,228	12,802	3,207	29,225	33,511	10,456	-
- Options	34	17	117	186	556	3	-	-
+ long positions	17	9	59	93	278	1	-	-
+ short positions	17	9	59	93	278	1	-	-
-Other derivatives	6,582	62,211	12,685	3,021	28,669	33,509	10,456	-
+ long positions	3,291	31,106	6,674	1,480	44,529	16,649	5,107	-
+ short positions	3,291	31,106	6,011	1,541	14,409	16,860	5,349	-

3. Regulatory trading book: internal models and other sensitivity analysis methods

3.1 End-of-period VAR, maximum, minimum and average values

Value at Risk	VaR amount in €
Max (VaR)	1,767,137
Min (VaR)	282,887
Avg (VaR)	819,683

3.2 VAR distribution in 2022

Date	VaR (99%/1 day) in €
1/2022	371,372
2/2022	320,097
3/2022	451,275
4/2022	539,846
5/2022	885,562
6/2022	1,314,348
7/2022	1,767,137
8/2022	1,196,804
9/2022	1,667,683
10/2022	755,164
11/2022	559,383
12/2022	544,325

3.3 Effects of a change in rates of +/-100 basis points on the regulatory trading book:

	Increase by 100 basis points		Decrease by 100 basis points	
	% change	**%**	**% change**	**%**
Net interest income	49	0.13%	-	0.00%
Profit for the year	429	0.09%	-	0.00%
Equity	429	0.01%	-	0.00%

Cassa Centrale Raiffeisen dell'Alto Adige has an integrated asset and liability management system. The consequences of a change in rates of +/-100 basis points were calculated by taking the market rate curve as at 31 December 2022 as a reference (parallel shifts).

2.2 INTEREST RATE RISK AND PRICE RISK - BANKING BOOK

1. *Banking book: distribution by residual maturity (by re-pricing date) of financial assets and liabilities*

Quantitative information

Currency €

Type/Residual duration	at sight	up to 3 months	from 3 months to 6 months	from 6 months to 1 year	from 1 year to 5 years	from 5 years to 10 years	beyond 10 years	unspecified
1. On-statement of financial position assets	**735,275**	**1,022,430**	**1,973,947**	**579,599**	**817,201**	**633,023**	**32,143**	**-**
1.1 Debt securities	-	431,613	212,837	-	109,440	542,078	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	431,613	212,837	-	109,440	542,078	-	-
1.2 Loans with banks	288,039	247,204	1,185,773	281,087	576,049	-	-	-
1.3 Loans with customers	447,236	343,612	575,336	298,512	131,713	90,945	32,143	-
- c/a	113,458	-	-	17	468	-	-	-
- other loans	333,779	343,612	575,336	298,495	131,244	90,945	32,143	-
- with early repayment option	237,675	202,481	399,615	293,513	109,402	68,252	25,680	-
- other	96,104	141,132	175,721	4,982	21,842	22,693	6,463	-
2. On-statement of financial position liabilities	**1,111,556**	**886,306**	**1,604,470**	**566,365**	**1,445,134**	**40,660**	**1,955**	**-**
2.1 Due to customers	835,158	557,485	45,811	7,089	15,849	305	1,955	-
- c/a	781,456	90,595	-	-	-	-	-	-
- other payables	53,702	466,890	45,811	7,089	15,849	305	1,955	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	53,702	466,890	45,811	7,089	15,849	305	1,955	
2.2 Due to banks	276,398	305,172	1,525,469	489,425	728,922	2,007	-	-
- c/a	48,805	-	-	-	-	-	-	-
- other payables	277,593	305,172	1,525,469	489,425	728,922	2,007	-	-
2.3 Debt securities	-	23,649	33,190	69,851	700,363	38,349	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	23,649	33,190	69,851	700,363	38,349	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**13,400**	**26,152**	**22,154**	**27,884**	**43,293**	**9,134**	**597**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions								
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	13,400	26,152	22,154	27,884	43,293	9,134	597	

- Options	7,256	1,405	14,151	19,976	29,128	4,861	559	-
+ long positions	-	-	-	4,120	29,128	4,861	559	-
+ short positions	7,256	1,405	14,151	15,856	-	-	-	-
-Other derivatives	6,144	24,747	8,003	7,909	14,164	4,274	38	-
+ long positions	6,144	9,734	5,923	5,700	-	-	-	-
+ short positions	-	15,013	2,080	2,209	14,164	4,274	38	-
4. Other off-statement of financial position transactions	**105,687**	**4,740**	**1,500**	-	-	-	-	-
+ long positions	49,723	4,740	**1,500**	-	-	-	-	-
+ short positions	55,964	-	-	-	-	-	-	-

2.1 Effects of a change in rates of +/-100 basis points on the banking book:

	Increase by 100 basis points		Decrease by 100 basis points	
	% change	%	% change	%
Net interest income	3,931	7.91%	(3,931)	-7.91%
Profit for the year	2,667	22.41%	(2,667)	-22.41%
Equity	(20,954)	-4.70%	22,748	5.10%

Cassa Centrale Raiffeisen dell'Alto Adige has an integrated asset and liability management system. The consequences of a change in rates of +/-100 basis points were calculated by taking the market rate curve as at 31 December 2022 as a reference (parallel shifts).

2.2 VAR distribution in 2022

Value at Risk	VaR amount in €
Max (VaR)	25,722,932
Min (VaR)	7,580,301
Avg (VaR)	12,758,459

2.3 EXCHANGE RATE RISK

Quantitative information

1. Distribution of assets, liabilities and derivatives by currency

Items	Currencies					
	US dollars	Sterling	Yen	Canadian dollars	Swiss francs	Other currencies
A. Financial assets	**6,800**	**749**	**-**	**118**	**11,625**	**258**
A.1 Debt securities	-	-	-	-	-	-
A.2 Equity instruments	-	-	-	-	-	-
A.3 Loans with banks	6,567	749	-	118	11,625	258
A.4 Loans with customers	233	-	-	-	-	-
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**58**	**27**	**31**	**5**	**559**	**29**
C. Financial liabilities	**(8,199)**	**(1,395)**	**(12)**	**(748)**	**(14,632)**	**(215)**
C.1 Due to banks	(8,001)	(1,148)	(12)	(748)	(13,938)	(201)
C.2 Due to customers	(197)	(247)	-	-	(694)	(14)
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	-	-	-	-	-	-
E. Financial derivatives	**(4,443)**	**(1,987)**	**(793)**	**(1,177)**	**(3,724)**	**(135)**
- Options	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-
-Other derivatives	(4,443)	(1,987)	(793)	(1,177)	(3,724)	(135)
+ long positions	(2,902)	(1,302)	(387)	(900)	(3,081)	(85)
+ short positions	(1,541)	(685)	(406)	(276)	(643)	(50)
Total assets	**9,760**	**2,078**	**417**	**1,023**	**15,264**	**372**
Total liabilities	**(9,740)**	**(2,080)**	**(418)**	**(1,024)**	**(15,275)**	**(265)**
Difference (+/-)	**20**	**(2)**	**(1)**	**(1)**	**(9)**	**107**

Section 3 - Derivative instruments and hedging policies

3.1 Hedge accounting

Qualitative information

A. Fair value hedges

As at 31 December 2022, Cassa Centrale Raiffeisen dell'Alto Adige carried out specific fair value hedging activities (micro hedging).

Hedging is used to immunise against changes in the fair value of deposits and loans caused by changes in the interest rate curve thereby stabilising the interest margin.

The main type of hedging instrument used by Cassa Centrale Raiffeisen dell'Alto Adige is the interest rate swap (IRS) derivative.

B. Cash flow hedges

The Cassa Centrale Raiffeisen dell'Alto Adige does not engage in cash flow hedges, i.e. hedges against exposure to variations in cash flows associated with variable-rate financial instruments.

Section 3 - Derivative instruments and hedging policies

3.1 Trading derivative instruments

A. Financial derivatives

A.1 Trading financial derivatives: period-end notional values

Underlying assets/Types of derivatives	Total 2022				Total 2021			
	Over the counter				Over the counter			
	Central counterparties	Without central counterparties		Organised markets	Central counterparties	Without central counterparties		Organised markets
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Debt securities and interest rates	-	-	**102,150**	-	-	-	**108,052**	-
a) Options	-	-	23,584	-	-	-	28,755	-
b) swaps	-	-	78,566	-	-	-	79,297	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity instruments and share indices	-	-	-	-	-	-	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Currencies and gold	-	-	**10,001**	-	-	-	**15,997**	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	10,001	-	-	-	15,700	-
c) Forwards	-	-	-	-	-	-	297	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	-	-	-	-	-	-	-	-
5. Other	-	-	-	-	-	-	-	-
Total	-	-	**112,151**	-	-	-	**124,049**	-

A.2 Trading financial derivatives: gross positive and negative fair value – breakdown by product

Type of derivatives	Total 2022				Total 2021			
	Over the counter				Over the counter			
	Central counterparties	Without central counterparties				Without central counterparties		Organised markets
		With netting agreements	Without netting agreements	Organised markets	Central counterparties	With netting agreements	Without netting agreements	
1. Positive fair value								
a) Options	-	-	166	-	-	-	10	-
b) Interest rate swaps	-	-	5,840	-	-	-	1,265	-
c) Cross currency swaps	-	-	40	-	-	-	138	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-		-	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**-**	**6,047**	**-**	**-**	**-**	**1,412**	**-**
2. Negative fair value								
a) Options	-	-	165	-	-	-	10	-
b) Interest rate swaps	-	-	5,548	-	-	-	1,060	-
c) Cross currency swaps	-	-	61	-	-	-	39	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	19	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**-**	**5,774**	**-**	**-**	**-**	**1,128**	**-**

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

Underlying assets	Governments and central banks	Banks	Other financial companies	Other parties
Contracts that are not netting agreements		-	-	-
1) Debt securities and interest rates		-	-	-
- notional amount	X	87,067	-	15,083
- positive fair value	X	6,006	-	-
- negative fair value	X	5,499	-	214
2) Equity instruments and share indices		-	-	-
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) Currencies and gold		-	-	-
- notional amount	X	10,001	-	-
- positive fair value	X	40	-	-
- negative fair value	X	61	-	-
4) Commodities		-	-	-
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Other		-	-	-
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts included in netting agreements	-	-	-	-
1) Debt securities and interest rates	-	-	-	-
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Equity instruments and share indices	-	-	-	-
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold	-	-	-	-
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Commodities	-	-	-	-
- notional amount	-	-	-	-
- positive fair value	-	-	-	-

- negative fair value	-	-	-	-
5) Other	-	-	-	-
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual maturity of OTC trading financial derivatives: notional values

Underlying/Residual life	Up to 1 year	From 1 year to 5 years	Beyond 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	5,933	50,398	45,820	102,150
A.2 Financial derivatives on equity instruments and share indices	-	-	-	-
A.3 Financial derivatives on currencies and gold	10,001	-	-	10,001
A.4 Financial derivatives on commodities	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total 31/12/2022	**15,934**	**50,398**	**45,820**	**112,151**
Total 31/12/2021	**21,812**	**34,176**	**68,062**	**124,049**

Section 3 - Derivative instruments and hedging policies

3.2 Hedge accounting

Quantitative information

A. Hedging derivatives

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

Type of derivatives	Total 2022				Total 2021			
	Over the counter				Over the counter			Organised markets
	Central counterparties	Without central counterparties		Organised markets	Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Debt securities and interest rates	-	-	**21,478**	**-**	**-**	**-**	**24,022**	-
a) Options	-	-	-	-	-	-	-	-
b) swaps	-	-	21,478	-	-	-	24,022	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity instruments and share indices	-	-	-	-	-	-	-	-
a) Options	-	-	-	-	-	-	-	-
b) swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Currencies and gold	-	-	-	-	-	-	-	**-**
a) Options	-	-	-	-	-	-	-	-
b) swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	-	-	-	-	-	-	-	-
5. Other	-	-	-	-	-	-	-	-
Total	-	-	**21,478**	-	-	-	**24,022**	-

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

Types of derivatives	Negative and positive fair value								Change in the value used for recognising the ineffectiveness of the hedge	
	Total 2022				Total 2021					
	Over the counter				Over the counter					
		Without central counterparties				Without central counterparties				
	Central counterparties	With netting agreements	Without netting agreements	Organised markets	Central counterparties	With netting agreements	Without netting agreements	Organised markets	Total 2022	Total 2021
1. Positive fair value	-	-	1,343	-	-	-	-	-	1,343	-
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	-	1,343	-	-	-	-	-	1,343	-
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
2. Negative fair value	**-**	**-**	**13**	**-**	**-**	**-**	**1,184**	**-**	**13**	**1,184**
a) Options										
b) Interest rate swaps	-	-	-	-	-	-	1,184	-	-	1,184
c) Cross currency swaps	-	-	13	-	-	-	-	-	13	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**1,355**	**-**	**-**	**-**	**1,184**	**-**	**1,355**	**1,184**

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

Underlying assets	Central counterparties	Banks	Other financial companies	Other parties
Contracts that are not netting agreements	-	-	-	-
1) Debt securities and interest rates	-	-	-	-
-notional amount	X	21,478	-	-
- positive fair value	X	1,343	-	-
- negative fair value	X	13	-	-
2) Equity instruments and share indices		-	-	-
-notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) Currencies and gold		-	-	-
-notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
4) Commodities		-	-	-
-notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Other		-	-	-
-notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts included in netting agreements	-	-	-	-
1) Debt securities and interest rates	-	-	-	-
-notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Equity instruments and share indices	-	-	-	-
-notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold	-	-	-	-
-notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Commodities	-	-	-	-
-notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other	-	-	-	-
-notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual maturity of OTC hedging financial derivatives: notional values

Underlying/Residual life	Up to 1 year	From 1 year to 5 years	Beyond 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	3,002	14,164	4,311	21,478
A.2 Financial derivatives on equity instruments and share indices	-	-	-	-
A.3 Financial derivatives on currencies and gold	-	-	-	-
A.4 Financial derivatives on commodities	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total 2022	**3,002**	**14,164**	**4,311**	**21,478**
Total 2021	**2,387**	**15,477**	**6,158**	**24,022**

D. Hedged instruments

D.1 Fair value hedges

	Specific hedging: carrying amount	Specific hedging - net positions: carrying amount of assets and liabilities (before	Specific hedging: Cumulative changes in fair value of the hedged instrument	Specific hedging: Termination of hedging: residual cumulative changes in fair value	Specific hedging: Change in the value used for recognising the ineffectiveness of the hedge	Macro hedging: carrying amount
A. ASSETS						
1. Financial assets measured at fair value through other comprehensive income - hedging of:						
1.1 Debt securities and interest rates	-	-	-	-	-	X
1.2 Equity instruments and share indices	-	-	-	-	-	X
1.3 Currencies and gold	-	-	-	-	-	X
1.4 Loans and receivables	21,403	-	382	448	-	X
1.5 Other	-	-	-	-	-	X
2. Financial assets measured at amortised cost – hedging of:						
1.1 Debt securities and interest rates	-	-	-	-	-	X
1.2 Equity instruments and share indices	-	-	-	-	-	X
1.3 Currencies and gold	-	-	-	-	-	X
1.4 Loans and receivables	-	-	-	-	-	X
1.5 Other	-	-	-	-	-	X
Total 2022	**21,403**	**-**	**382**	**448**	**-**	**-**
B. LIABILITIES						
1. Financial liabilities measured at amortised cost - hedging of:						
1.1 Debt securities and interest rates	-	-	-	-	-	X
1.2 Currencies and gold	-	-	-	-	-	X
1.3 Other	-	-	-	-	-	X
Total 2022	-	-	-	-	-	-

Section 4 Liquidity risk

Qualitative information

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

The liquidity situation of the Cassa Centrale Raiffeisen dell'Alto Adige continued to remain at an adequate level. The bank is aware of the need to continuously monitor the liquidity situation, especially when the various refinancing measures expire and if the European Central Bank's restrictive monetary policy continues for a long time.

In 2022, Cassa Centrale Raiffeisen dell'Alto Adige participated in ECB's refinancing operations as the leading bank of the TLTRO III group. In parallel, a further bond issue was prepared and carried out.

<u>Risk definition and identification, risk factors related to sources of liquidity risk</u>

Liquidity risk is the present and future risk of failure to meet payment obligations, in whole or in part, over various time horizons (liquidity risk strictly speaking). Causes of default can be either the inability to obtain liquid assets in the market at reasonable conditions (funding liquidity risk) or the inability to liquidate assets (asset liquidity risk). Liquidity risk also includes the risk of being unable to obtain liquidity or liquidate assets under normal market conditions (market liquidity risk). Liquidity risk is often correlated with other risks and may therefore occur in addition to other types of risk.

The identification of liquidity risk is closely related to the bank's main strategic processes:

- finalisation of strategic and operational planning;
- RAF;
- ICAAP;
- ILAAP:
- Recovery Plan.

The liquidity risk identification process aims to determine all liquidity risk factors or causes to which the bank is exposed and which may have a significant impact on its liquidity position.

The underlying liquidity risk is determined through specific analyses and assessments, within which two macro areas can be distinguished in relation to the time horizon:

- short-term (or operational) liquidity, which in turn is divided into two sub-areas:
  - intraday liquidity, on the basis of which it is possible to measure the bank's ability to balance its daily cash inflows and outflows and to ensure adequate liquid resources at all times;
  - short-term liquidity, on the basis of which it is possible to assess the Bank's ability to meet its expected and unforeseen payment obligations over a 12-month horizon;
- structural liquidity, which identifies any liquidity imbalances between assets and liabilities over a time horizon of more than one year.

<u>Main competent bodies and functions</u>

The main functions responsible for this area and their main tasks are presented below.

Board of Directors

As the body with strategic supervisory functions, the Board of Directors is responsible for the following tasks:

- defining and approving strategic guidelines, internal policies and regulations, risk appetite and tolerance thresholds of liquidity risk;
- approving the methods used to measure liquidity risk exposure and the key assumptions underlying the stress scenarios;

- defining the indicators and provisions of the Risk Appetite Framework (RAF) and the Contingency Funding Plan;

As a management body, the Board of Directors also has the following tasks:

- defining the main lines of the liquidity risk management process and ensuring that it is continuously updated;
- establishing the responsibilities of the corporate functions and structures involved in the liquidity risk management process;
- defining internal information flows aimed to ensure that corporate bodies and control functions are fully aware of and manage the factors affecting liquidity risk.

Management

The Management, which attends the meetings of the Board of Directors, is responsible for the following tasks:

- proposing the strategic guidelines and policies for managing liquidity risk in concert with the Finance Area;
- communicating the regulations and standards in force within the bank to the company functions involved;
- informing the Board immediately of any deterioration in the Bank's liquidity position.

Risk management

The Risk Management function is responsible for the following tasks:

- defining and proposing to the Board of Directors the factors to be considered for the identification of liquidity risk;
- establishing the methods for defining the liquidity risk exposure;
- defining the main assumptions underlying the stress scenarios;
- defining the liquidity risk indicators relevant to the RAF and the corresponding provisions;
- carrying out liquidity risk analyses from a point-in-time and forward-looking perspective, based on normal and stress scenarios;
- periodically monitoring liquidity risk and compliance with the relevant provisions;
- periodically preparing liquidity risk reports;
- notifying the Management and the qualified company functions if operational limits relating to liquidity risk are exceeded in order to ensure the activation of the envisaged escalation procedures;
- proposing, with the involvement of the relevant functions, the corrective actions envisaged in the Contingency Funding Plan;
- preparing and submitting reports on liquidity risk to the competent corporate bodies at least on a quarterly basis.

Finance Area

The Finance Area is responsible for the following tasks in the area of liquidity risk:

- monitoring the liquidity position with respect to different time horizons;
- preparing its own reports on the liquidity position and forwarding them to Management and the Risk Management function.

The Treasury & Funding sector

This function is responsible for the following tasks in connection with the management of the short-term liquidity position:

- monitoring and managing the liquidity position, daily funding and use of liquidity in accordance with defined procedures;
- accessing and operating on the money markets;
- monitoring and managing the level of the compulsory reserve established in the supervisory regulations (hereinafter also referred to as "ROB");
- monitoring the system of giro and settlement accounts;
- monitoring the portfolio of financial instruments that can be used for collateralised lending with the European Central Bank or corresponding markets (e.g. MTS);
- implementing all actions required to ensure compliance with the liquidity indicators envisaged by the supervisory regulations.

As part of the management of the medium- to long-term liquidity position, this function is also responsible for:

- preparing the funding plan to be submitted to the head of the Finance Area for approval and, immediately thereafter, to the Board of Directors.

Liquidity risk management process

The bank's liquidity risk management process consists of the following steps:

- risk identification (identification of the main risk factors, internal and external risk sources as well as operational activities that expose the bank to liquidity risk);
- risk analysis (analysis of all major risks and risk factors, definition of risk indicators and models, preparation of internal regulations);
- risk measurement and assessment (measurement/qualitative assessment of the liquidity risk);
- risk monitoring (continuous monitoring of risks and underlying indicators, control of compliance with internal and external regulations and standards, identification of risk trends);
- risk reporting and disclosure (timely reporting, the preparation and dissemination of which facilitates decision-making, consideration of possible changes in the current and future context, assessment of possible risk impacts and new opportunities, risk awareness, risk culture);
- risk management/risk mitigation/related interventions (implementation of actions and their documentation).

The establishment of a risk management process in line with the bank's strategic guidelines is an essential prerogative to effectively implement the risk policy defined by the competent bodies.

Liquidity risk management strategy

As part of its operations, Cassa Centrale Raiffeisen dell'Alto Adige strives to keep liquidity and refinancing risks within appropriate limits. In this context, liquidity risk management is based on the following principles:

- developing liquidity risk management and monitoring processes in accordance with the bank's organisational structure and with the aim of clearly defining the responsibilities of the corporate bodies and functions involved, as well as in compliance with the provisions of the supervisory body;
- ensuring the bank's financial balance by measuring and monitoring the short-term (including intraday) and medium- to long-term liquidity position, so that:
  - the bank can meet its payment obligations, both expected and unexpected, while minimising costs;
  - an appropriate ratio between medium- to long-term assets and liabilities can be ensured in order, on the one hand, to, avoid burdens associated with short-term liquidity sources and, on the other hand, to optimise the cost of liquidity funding;

- establishing a liquidity risk assessment process based on internal and supervisory methods and models, carried out with reference to specific points in time and from a forward-looking perspective as well as on the basis of normal and stress scenarios;
- optimising access to markets in order to obtain financial resources, by maintaining an adequate degree of solvency of the bank and efficient management of liquidity flows;
- optimising the management of any internal or external liquidity crises, ensuring adequate and promptly effective escalation processes to enable timely action to be taken, also in accordance with the provisions of the Contingency Funding Plan.

The liquidity risk process is regulated by the relevant internal regulations.

On the other hand, in an additional regulation, Cassa Centrale Raiffeisen dell'Alto Adige defined a special Contingency Funding Plan. The latter defines the standards and processes by which the bank's liquidity profile can be kept under control, from the early stages of a developing liquidity crisis to the onset of a severe liquidity crisis, as well as ensuring the bank's business continuity.

In addition, the following measures are implemented within the bank:

- definition and cataloguing of different types of liquidity stress scenarios;
- definition and monitoring of indicators that - in addition to those already defined within the RAF - can identify the occurrence of stress or liquidity stress scenarios in advance;
- assignment to the relevant corporate bodies, committees and functions of the tasks and responsibilities required for the activation and implementation of the measures outlined in the Contingency Funding Plan (CFP);
- identification of potential actions to be taken in the event of a significant deterioration of the bank's liquidity position;
- periodic estimate of the maximum liquidity that can be generated (back-up liquidity) through the hypothetical activation of emergency measures.

Concentration, sources of liquidity

According to the AMM reporting template "C 67.00.a - concentration of funding by counterparty", the main sources of liquidity (>1% of liabilities) are concentrated in Repo transactions, i.e. funding backed by securities, although refinancing with the Central Bank accounts for about 80% of these large deposits.

Stress scenarios

Cassa Centrale Raiffeisen dell'Alto Adige analyses various stress scenarios with respect to liquidity risk, i.e. with regard to intraday liquidity risk, short-term liquidity risk and structural liquidity risk. Stress scenarios take into account both idiosyncratic and systemic risk factors. The results of the stress scenario analyses are used to calibrate the provisions of the RAF.

ALM application

Cassa Centrale Raiffeisen dell'Alto Adige has an ALM application conforming to industry best practice that enables it to monitor the development of its liquidity position and the underlying liquidity risk in a timely manner. Alongside this, Cassa Centrale Raiffeisen dell'Alto Adige adopted its own risk table, which is updated weekly and contains all relevant liquidity risk indicators.

Availability and liquidity position

The liquidity position of Cassa Centrale Raiffeisen dell'Alto Adige is stable:

- issue of bonds of € 40 million and two further issues of €6 million each in autumn 2022 to strengthen the medium- to long-term liquidity position;
- LCR values of >145%;

- participation in the European Central Bank's TLTRO III operations in the amount of € 2,170,350 thousand;
- NSFR value as at 31 December 2022 of 108.961%;
- concentration risk under AMM reporting;
- since the end of 2020, Cassa Centrale Raiffeisen dell'Alto Adige has also been using the "ABACO" portfolio to further strengthen its liquidity position;
- The fact that several Raiffeisen banks also use the "ABACO" portfolio has positive effects on the liquidity position of the entire Raiffeisen banking organisation;
- The bank's survival period according to the RAF indicator "Survival period (short-term liquidity)" is more than three months;
- the bank's liquidity reserve consists mainly of high quality liquid assets.

1. *Distribution of financial assets and liabilities by residual contractual maturity - Currency: €*

Items/Time periods	at sight	from 1 day to 7 days	from 7 days to 15 days	from 15 days to 1 month	from 1 month to 3 months	from 3 months to 6 months	from 6 months to 1 year	from 1 year to 5 years	beyond 5 y	unspecified maturity
On-statement of financial position assets	**370,120**	**7,757**	**25,547**	**25,865**	**231,026**	**1,375,200**	**641,890**	**2,016,109**	**1,099,960**	**121,188**
A.1 Government bonds	-	-	761	-	3,557	54,166	141,993	541.00	535,000	-
A.2 Other debt securities	-	-	-	190	-	25	900	11,105	10,000	-
A.3 OEIC units	143,730	-	-	-	-	-	-	-	-	-
A.4 Loans	226,389	7,757	24,787	25,675	227,469	1,321,000	498,997	1,464,004	554,960	121,188
- banks	153,188	-	-	-	122,330	1,205,334	291,522	578,800	-	121,188
- customers	73,201	7,757	24,787	25,675	105,139	115,675	207,475	885,204	554,960	-
On-statement of financial position liabilities	**1,128,381**	**149,474**	**111**	**288,737**	**289,094**	**1,627,239**	**654,854**	**1,481,967**	**108,409**	-
B.1 Deposits	1,042,717	13,485	82	43,159	166,123	94,179	84,775	34,737	60,155	-
- banks	140,470	12,000	.	7,332	114,980	48,922	77,383	20,222	60,155	-
- customers	902,246	1,485	82	35,827	51,144	45,797	7,392	14,515	-	
B.2 Debt securities	-	-	30	3,186	927	18,900	83,650	721,996	42,995	-
B.3 Other liabilities	85,664	135,990	-	242,392	122,044	1,513,620	486,430	725,263	5,260	-
Off-statement of financial position transactions	**67,958**	**2,240**	**5,630**	**1,247**	**2,472**	**1,335**	**4,439**	**49,119**	**1,926**	-
C.1 Financial derivatives with exchange of principal	-	2,240	5,630	1,245	2,358	644	165	-	-	-
- long positions	-	1,216	375	1,205	823	-	-	-	-	-
- short positions	-	1,023	5,255	40	1,535	644	165	-	-	-
C.2 Financial derivatives w/o exchange of principal	11,723	-	-	2	22	92	317	-	-	-
- long positions	6,009	-	-	-	13	89	298	-	-	-
- short positions	5,714	-	-	1	9	3	19	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	56,235	-	-	-	92	600	3,957	49,119	1,926	-
- long positions	270	-	-	-	92	600	3,957	49,119	1,926	-
- short positions	55,964	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.1 Credit derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

1. Distribution of financial assets and liabilities by residual contractual maturity - Currency: OTHER

Items/Time periods	at sight	from 1 day to 7 days	from 7 days to 15 days	from 15 days to 1 month	from 1 month to 3 months	from 3 months to 6 months	from 6 months to 1 year	from 1 year to 5 years	beyond 5 ye	unspecified maturity
On-statement of financial position assets	**17,774**	**-**	**-**	**-**	**33**	**-**	**-**	**1,944**	**-**	**-**
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 OEIC units	-	-	-	-	-	-	-	-	-	-
A.4 Loans	17,774	-	-	-	33	-	-	1,944	-	-
- banks	17,773	-	-	-	-	-	-	1,709	-	-
- customers	-	-	-	-	33	-	-	234	-	-
On-statement of financial position liabilities	**25,293**	-	-	-	-	-	-	-	-	-
B.1 Deposits	25,293	-	-	-	-	-	-	-	-	-
- banks	24,141	-	-	-	-	-	-	-	-	-
- customers	1.152	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-statement of financial position transactions	**-**	**2,238**	**5,622**	**1,246**	**2,331**	**640**	**163**	**-**	**-**	-
C.1 Financial derivatives with exchange of principa	-	2,238	5,622	1,246	2,331	640	163	-	-	-
- long positions	-	1,024	5,247	40	1,512	640	163	-	-	-
- short positions	-	1,215	375	1,206	819	-	-	-	-	-
C.2 Financial derivatives w/o exchange of principa	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.1 Credit derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of principa	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

Section 5 - Operational risk

The Covid-19 pandemic also led to changes in the working environment, e.g. increased use of home office work and remote meetings.

In cooperation with IT service provider RIS SCRL, the technical conditions for video conferencing were optimised and measures were implemented to improve remote digital collaboration with customers.

Qualitative information

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

Operational risk is the present and future risk of adverse impact due to the inadequacy or inefficiency of procedures, human resources and internal systems or external events. This definition also includes legal risks but not strategic or reputational risks.

Operational risk is clearly distinguished from other risks:

- it is a risk that often manifests itself at the level of an individual company;
- operational risks can occur across all areas of Cassa Centrale Raiffeisen dell'Alto Adige;
- there is no central correlation between risk and income, i.e. an increase in operational risk does not generally lead to an increase in income;
- the risks underlying operational risk and the risk factors underlying the sub-risks are very heterogeneous;
- with regard to operational risk, there is often poorly documented or inconsistent historical data;
- operational risk is often difficult to manage and measure;
- In most cases, operational risks are not taken consciously.

Cassa Centrale Raiffeisen dell'Alto Adige uses the following tools to identify, analyse and assess operational risk:

- the results of the internal audit relevant for operational risk;
- database for the identification and analysis of harmful events;
- self-assessments regarding risks and controls and analysis of different scenarios (primarily on IT risk and business continuity risk related to IT risk);
- definition of operational processes;
- risk and performance indicators;
- other activities for the identification and assessment of operational risks (e.g. external benchmark analyses, preparation, monitoring and implementation of action plans).

Cassa Centrale Raiffeisen dell'Alto Adige determines the capital requirement for operational risk using the basic indicator approach. This method refers to the "relevant indicator" for the quantification of this capital requirement.

The latter is 15 % of the three-year average of the relevant indicator (see Article 316 CRR).

The systematic identification of harmful events related to operational risk is a fundamental prerogative for the sound analysis and assessment of risks as they manifest themselves, and for the subsequent identification of appropriate control measures. Cassa Centrale Raiffeisen dell'Alto Adige has therefore created a database of harmful events in order to identify the circumstances that give rise to operational risks, and to analyse and assess the related risk exposures. In 2022, losses incurred due to operational risks amounted to less than 0.001% of the financial statement total.

Cassa Centrale Raiffeisen dell'Alto Adige has a Business Continuity Plan in place to protect it from crisis events that could disrupt normal operations. In this regard, the operational procedures to be adopted in the crisis scenarios considered were formalised and the roles and responsibilities of the various players involved were defined. The aforementioned plan also includes the Disaster Recovery Plan, which establishes the technical and organisational measures to be taken in the event of the unavailability of the information systems, even where the data processing activity has been assigned to a third party. The business continuity plan is reviewed annually and, if deemed appropriate, adjusted accordingly.

Cassa Centrale Raiffeisen dell'Alto Adige has defined its risk appetite for operational risk in the Risk Appetite Framework.

Other risks closely related to operational risk

Legal risk

Operational risks also include legal risks (including behavioural risk).

Pending legal proceedings

At the end of 2022, Cassa Centrale Raiffeisen dell'Alto Adige had pending legal proceedings. These are two cases concerning the intermediation of financial products and one case concerning the interpretation of contractual terms. The quantification of these risks was estimated at € 315,000.

ICT risk (information and communication technology risk)

The operations of Cassa Centrale Raiffeisen dell'Alto Adige are to a large extent dependent on IT systems. Information and communication technology risk (ICT risk) and business continuity risk are a subcategory of operational risk. In addition to its more direct impact (e.g. process interruption, loss of data, etc.), the latter can also give rise to compliance, reputational and strategic risks. ICT risk and business continuity risk are probably the most important high-frequency, low-impact risks for companies for whom technology and digitalisation are critical to the success of their business models. Such risks are rarely serious and may never occur. However, if these risks materialise, they can be very damaging, even to the point of undermining the company's existence and significantly damaging its reputation. A malfunctioning computer system can be very costly and, if the problem persists for a long time, can result in a significant loss of profit or, if inadequate precautions have been taken, can even threaten the very existence of the company. However, this risk can take many different forms. For example, a bank that does not invest sufficiently in new technologies may find itself excluded from the market in the medium to long term, as its competitors may offer better and higher quality services or have more automated processes. In addition, if a bank's software is not properly analysed and a flaw goes undetected for a long time, it can result in high costs and/or loss of reputation.

In addition to availability, the fundamental objectives of computer security include ensuring the confidentiality of important data, protection against manipulation, the ability to trace an action back to its originator, and the evidential value of data and computer-protected virtual operations and processes.

Investments are made to achieve these IT security objectives. These costs include hardware and software costs, installation costs and other operating costs. The added value results in the reduction of IT risk and the reduction of workload through the rationalisation of work processes.

Cassa Centrale Raiffeisen dell'Alto Adige, also through its consortium IT service provider RIS SCRL, implemented systems and processes to ensure that the following basic IT security requirements are met on an ongoing basis:

- Availability: The availability of a computer system or service is the degree to which it can be used without time constraints. The information is also only available and usable by authorised persons at defined times and with defined procedures.
- Confidentiality: The confidentiality of an IT service represents the degree to which the data to be protected is not accessible, i.e. only authorised persons have access to such data.

- Integrity: the integrity of an IT service is the level of protection of data against unauthorised changes, i.e. data cannot be modified or deleted by unauthorised persons. However, even authorised persons cannot accidentally change data;
- Authenticity: Authenticity is the degree to which data and changes can be attributed to their author. Authenticity means security in case of revision.

  This means that the IT service must be able to trace all significant operations, in particular with regard to the persons who carried them out.
- Binding nature: Binding nature is the extent to which changes and declarations of intent made electronically have evidential value.

Cassa Centrale Raiffeisen dell'Alto Adige is responsible for the ICT system it uses, even in the case of full outsourcing. Cassa Centrale Raiffeisen dell'Alto Adige uses the organised and consortium data processing centre of the Raiffeisen Südtirol IPS cooperative (RIPS), i.e. RIS SCRL. There is an agreement with this company for the provision of IT services. Cassa Centrale Raiffeisen dell'Alto Adige also uses key network services provided by Konverto S.p.A. The analysis and assessment of the risks related to the IT services outsourced by Cassa Centrale Raiffeisen dell'Alto Adige are carried out by the risk management of RIS SCRL and Konverto S.p.A. The relevant information is provided to Cassa Centrale Raiffeisen dell'Alto Adige on a regular basis.

With regard to information and communication technology risks, the RIPS system assumes that they should generally be avoided or kept to a minimum. Therefore, the RIPS system takes a restrictive approach to information and communication technology risk and the related business continuity risk;

This means that the risk appetite of the RIPS system is low in relation to IT and continuity risk. RIS SCRL takes all necessary measures to minimise IT risks and to avoid as far as possible any malfunctions or interruptions of IT services, as well as security problems and incidents.

As part of ICT (information, communication, technology) risks, the EBA (European Banking Authority) identifies the following risk categories within its SREP (Supervisory Review and Evaluation Process) framework, which aims, among other things, to monitor key indicators, analyse the business model and assess capital and liquidity risks, as well as banks' own funds and liquidity availability:

- ICT availability and continuity risk;
- ICT security risk;
- ICT change risk, understood as the process of adaptation;
- ICT data integrity risk;
- ICT outsourcing risk.

All IT risk assessments by RIS SCRL take this categorisation into account, so that the results can be directly adopted by the banks using RIS SCRL's IT services.

In addition, Cassa Centrale Raiffeisen dell'Alto Adige relies on the ISAE 3402 Type II certification carried out annually by RIS SCRL to analyse and assess the risks related to IT services.

To ensure continuous improvement of IT security, known security issues and reported technical deficiencies are dealt with in a transparent manner.

The IT-risk management team is responsible for handling security issues and reported technical shortcomings.

The general and specific measures required by Bank of Italy Circular no. 285/2013 for the protection of information and ICT resources (Chapter 4 -The Information System, Section IV -The Management of

Information Security, 3. The Security of Information and ICT Resources) were implemented in accordance with the relevant regulations.

Reputational risk

Reputational risk is the present and future danger of negative effects resulting from damage to the image of Cassa Centrale Raiffeisen dell'Alto Adige. In general, reputational risk arises simultaneously with and as a consequence of other risks and can amplify other risks, in extreme cases creating a snowball effect.

Reputational risk is one of those risks that are difficult or impossible to quantify. Consequently, the measurement and assessment of this risk is carried out through the monitoring of risk indicators, the analysis of accidents related to operational risk that affect the image, and qualitative assessments. Analyses of different scenarios can be used to assess reputational risk with a view to the future.

Reputational risk can be managed by effectively managing the other risks.

The number of customer complaints at Cassa Centrale Raiffeisen dell'Alto Adige continues to be very low, which means that this risk can be classified as extremely low.

The following measures, which are part of Cassa Centrale Raiffeisen dell'Alto Adige's internal best practice, serve to effectively counter the occurrence of reputational risks:

entry into new lines of business or new markets is made only after careful analysis of the market characteristics and underlying risks;

when entering new areas of activity or new markets, but also in the carrying-out of the current business, compliance with ethical and moral principles (set out in the code of ethics/behaviour) takes precedence over the pursuit of profit maximisation;

any activity or transaction that exposes Cassa Centrale Raiffeisen dell'Alto Adige to an unquantifiable risk is disregarded in advance.

In 2022, Cassa Centrale Raiffeisen dell'Alto Adige recorded four customer complaints.

Part F - Information on equity

Section 1 - Company equity

A. Qualitative information

Capital adequacy is monitored through strategic planning activities. It is given an important role in managing its business activities and related risks. Adequate profitability, liquidity and capital strength are taken into account when defining strategy and growth targets.

Within the risk appetite framework, different levels of attention are defined to ensure ongoing compliance with regulatory requirements and business objectives.

Compliance with the requirements is monitored regularly on a quarterly basis by risk management.

The bank's equity consists of the following liability items:

- Share capital
- Reserves
- Valuation reserves
- Profit for the year

B. Quantitative information

B1. Company equity: breakdown

Item/Amounts	31/12/2022	31/12/2021
1. Share capital	**250,000**	**225,000**
2. Share premium reserve	**-**	**-**
3. Reserves	**202,651**	**177,013**
- income related	202,651	177,013
a) legal	92,999	92,999
b) statutory	-	-
c) treasury shares	-	-
d) other	109,653	84,014
- other	-	-
4. Equity instruments	**-**	**-**
5. (Treasury shares)	**-**	**-**
6. Valuation reserves	**(18,822)**	**21,202**
-Equity instruments designated at fair value through other comprehensive income	(18,822)	21,202
-Coverage of equity instruments at fair value through other comprehensive income		
-Financial assets (other than equity instruments) at fair value through other comprehensive income		
-Property, equipment and investment property		
-Intangible assets		
-Hedging of investments in foreign operations		
Cash flow hedges		
-Hedging instruments (elements not designated)		
Exchange rate differences		
- Non-current assets held for sale		
-Financial liabilities designated at fair value through profit or loss (change in Bank's creditworthiness)		
-Actuarial gains (losses) on defined benefit plans		
-Portion of valuation reserves of equity-accounted investments		
-Special revaluation laws		
7. Net income (loss) for the year	**11,904**	**42,739**
Total	**445,734**	**465,954**

B.2 Valuation reserves for financial assets at fair value through other comprehensive income: breakdown

Asset/Amounts	31/12/2022		31/12/2021	
	Positive reserve	**Negative reserve**	**Positive reserve**	**Negative reserve**
1. Debt securities	-	27,727	10,216	-
2. Equity instruments	4,790	-	7,561	-
3. Loans	-	-	-	-
Total	**4,790**	**27,727**	**17,777**	-

B.3 Valuation reserves for financial assets at fair value through other comprehensive income: annual changes

	Debt securities	**Equity instruments**	**Loans**
1. Opening balance	**10,216**	**7,561**	-
2. Increases	-	-	-
2.1 Fair value gains	-	-	-
2.2 Impairment losses for credit risk	-	X	-
2.3 Reclassification to profit or loss of negative reserves on sales	-	X	-
2.4 Transfers to other equity components (equity instruments)	-	-	-
2.5 Other decreases	-	-	-
3. Decreases	**37,943**	-	-
3.1 Fair value losses	**31,862**	2,772	-
3.2 Reversals of impairment losses for credit risk	-	-	-
3.3 Reclassification of fair value gains to profit or loss: on sales	6,081	-	-
3.4 Transfers to other equity components (equity instruments)	-	-	-
3.5 Other decreases	-	-	-
4. Closing balance	**(27,727)**	**4,790**	-

Part F - Information on equity

Section 2 - Prudential capital and ratios

Information on Regulatory capital and ratios can be found in the public reporting ("Third Pillar") published on the website of Cassa Centrale Raiffeisen dell'Alto Adige.

Part G - Business combinations

There were no events relating to business combinations or acquisitions of business units from other banks in 2022.

Part H - Related party transactions

Section 1. Information on remuneration of directors and managers.

The remuneration of directors and statutory auditors was set by resolution of the Shareholders' Meeting. The salaries of managers were set by resolution of the Board of Directors. Information on remuneration and salaries is disclosed in accordance with IAS 24, paragraph 16.

In 2022, remuneration of € 591 thousand was paid to the directors and € 232 thousand to the statutory auditors.

These amounts do not include value added tax and other social security contributions. Managers were paid salaries, including social security and other charges, of € 1,680 thousand.

Section 2. Information on related party transactions.

Transactions with related parties and jointly controlled companies were carried out at arm's length. In 2022, no specific provisions were made for losses on receivables from the above-mentioned related parties and jointly controlled companies. Assets, liabilities, guarantees and commitments to related and jointly controlled parties at the end of the reporting period are listed below.

	Assets	Liabilities	Collaterals	Income	Expense
Directors	-	-	-	-	-
Board of Statutory Auditors	-	-	-	-	-
Management	70	586	-	1	4
Associates	-	1,894	41	1	40
Companies subject to joint control	15,000	1,096	-	75	3

Part I – Share-based payment agreements

The bank did not enter into any share-based payment agreements in 2022.

Part L – Segment reporting

Cassa Centrale Raiffeisen dell'Alto Adige is not obliged to provide sector information.

Part M - Disclosure on leases

Section 1 - Lessee

Quantitative information

With the introduction of International Financial Reporting Standard IFRS 16, the presentation of leases in the financial statements was redefined (see Part A Section 4, Other aspects, of the notes to the financial statements).

Cassa Centrale Raiffeisen dell'Alto Adige analysed the existing lease contracts, considering four long-term rental contracts relating to the company's fleet as significant.

In total, rights of use amounting to € 119 were quantified. The discounting of the monthly instalments was calculated by taking a reference rate of 0.457%.

The contracts considered have an average residual life of three years.

Part M - Disclosure on leases

Section 2 - Lessee

1. Information on statement of financial position and income statement

Reference is made to:

- Part B, Assets, Section 4 -Financial assets measured at amortised cost, for information on lease financing;

- Part C, Income Statement, Section 1 - Interest, for information on interest income on lease financing.

Part M - Disclosure on leases

Section 2 - Lessee

2. Finance leases

2.1 Classification by time bands of payments to be received and reconciliation with finance leases

Time bands	Total 31/12/2022 Lease payments to be received	Total 31/12/2021 Lease payments to be received
Up to 1 year	38,543	42,318
From 1 year to 2 years	38,230	40,490
From 2 year to 3 years	37,951	39,377
From 3 year to 4 years	38,139	30,343
From 4 year to 5 years	35,079	38,330
From 5 years	183,643	201,959
Total lease payments to be received	**371,586**	**392,817**
Reconciliation with finance leases		
Financial income not accrued (-)	45,789	42,318
Non-guaranteed residual value (-)	345,326	347,646
Finance leases	**391,115**	**392,817**

2022 Independent auditor's report

Cassa Centrale Raiffeisen dell’Alto Adige S.p.A.

Financial statements as at December 31, 2022

Independent auditor’s report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010, and article 10 of EU Regulation n. 537/2014

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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original German text)

To the Shareholders of
Cassa Centrale Raiffeisen dell'Alto Adige S.p.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Cassa Centrale Raiffeisen dell'Alto Adige S.p.A. (the Company), which comprise the balance sheet as at December 31, 2022, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing article 43 of Legislative
Decree n. 136, dated August 18, 2015.

Basis for Opinion

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

Key Audit Matters

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

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We identified the following key audit matter:

Key Audit Matter	Audit Response
Classification and valuation of financial loans to customers Loans to customers measured at amortized cost, which are reported in line item 40 b) of the balance sheet, amount to Euro 1,943 million and represent 31% of total assets. The classification and valuation of loans to customers are relevant to the audit due to the significance of the amount of the loans to the financial statement as a whole, and in consideration of the fact that the impairment provisions are determined by the Directors through the use of estimates that have a high degree of complexity and subjectivity that also imply the consideration of specific elements aimed at reflecting the current context of uncertainty on the evolution of the macroeconomic scenario. Amongst the estimation factors, the following are particularly significant: • the identification and calibration of the parameters for determining if a significant increase in credit risk occurred as compared to the initial recognition date, for the purposes of the allocation of exposures to Stage 1 and Stage 2 (performing loans). • the definition of the models and parameters of Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) applied for the calculation of expected losses (ECL - Expected Credit Losses), over one year for exposures classified in Stage 1 and lifetime for exposures classified in Stage 2, on the basis of historical observation of data for each risk class and forward-looking factors, including macroeconomic factors. • the identification of evidence that may lead to consider not fully recoverable the amount of the loans (evidence of impairment), with consequent classification of the exposures in Stage 3 (impaired loans). • for loans classified in Stage 3, the determination of the criteria for estimating the expected cash flows according to the recovery strategy. Disclosures regarding the evolution of the quality of the financial loans to customers portfolio and the criteria adopted for the classification and valuation are provided in Part A - Accounting Policies, in Part B – Information on the Balance Sheet, in Part C - Information on the income statement and in Part E - Information on risks and hedging	In relation to this matter, our audit procedures, carried out also with the support of our experts, mainly in risk management and information systems, included, among other things: • updating our understanding of the policies, processes and controls implemented by the company in relation to the classification and evaluation of financial loans to customers, and performing test over key controls, including those relating to IT system for the purpose of verifying their operating effectiveness; • performing, on a sample basis, substantive procedures aimed at verifying the correct classification and valuation of the loan exposures; • understanding the methodologies used in relation to statistical valuations and the reasonableness of the assumptions used including the new macroeconomic scenarios and their weighting; • performing compliance and testing procedures, which were aimed to verifying the appropriate determination of the PD, LGD and EAD parameters for the purpose of determining the impairment provisions; • performing comparative analysis procedures for the loan portfolio regarding the most significant differences compared to the closing balances of the preceding year end and the related coverage levels; • finally, we analyzed the adequacy of the disclosures provided in the notes to the financial statements.

policies of the notes to the financial statements.

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing article 43 of Legislative Decree n.136, dated August 18, 2015, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

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

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

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated them all matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken to eliminate relevant risks or the safeguard measures applied.

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

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Cassa Centrale Raiffeisen dell'Alto Adige S.p.A., in the general meeting held on May 18, 2020, engaged us to perform the audits of the financial statements for each of the years ending December 31, 2021 to December 31, 2029.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Company in conducting the audit.
We confirm that the opinion on the financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Cassa Centrale Raiffeisen dell'Alto Adige S.p.A. are responsible for the preparation of the Report on Operations of Cassa Centrale Raiffeisen dell'Alto Adige S.p.A. as at December 31, 2022, including their consistency with the related financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations with the financial statements of Cassa Centrale Raiffeisen dell'Alto Adige S.p.A. as at December 31, 2022 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations is consistent with the financial statements of Cassa Centrale Raiffeisen dell'Alto Adige S.p.A. as at December 31, 2022 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Milano, April 7, 2023

EY S.p.A.
Signed by: Massimiliano Bonfiglio, Auditor

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

Note: the Report on Operations is not included in this translation of the Annual Report.

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