Financial Statements 2020

BANCA CAMBIANO 1884 S.p.A.
Sede legale e direzione generale: 50132 Firenze - Viale Antonio Gramsci, 34 - Tel. 0552480811 - Sede amministrativa: 50051 Castelfiorentino (Fi) - Piazza Giovanni XXIII, 6 Tel. 05716891 - Codice ABI 8425 - Iscritta all'albo delle banche della Banca d'Italia al n. 5667 - Iscritta al Registro delle imprese di Firenze al n. 02599341209 REA FI 648868 - Codice fiscale e Partita IVA 02599341209 - Capitale sociale € 232.800.000 i.v. - Aderente al Fondo Interbancario di Tutela dei Depositi, al Fondo Nazionale di Garanzia, al Conciliatore Bancario Finanziario, all'Arbitro Bancario Finanziario - BIC CODE CRACIT33 - Capogruppo del Gruppo Bancario Cambiano
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Registered head office and general management: Viale Antonio Gramsci, 34 – 50132 Florence
Administrative head offices: Piazza Giovanni XXIII, 6 – 50051 Castelfiorentino (Fi)
Registered in the Bank of Italy Register of Banks at n. 5667
Share Capital € 232,800,000.00 fully paid-in
Registration number in the Company Register of Florence, fiscal code and VAT code: 02599341209
Parent Company of the Gruppo Bancario Cambiano, registered at n. 238 in the Register of Banking Groups

FINANCIAL STATEMENTS AND REPORTS

FOR THE FISCAL YEAR 2020

Approved by the Ordinary Shareholders' Meeting on 13 May 2021

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Notice of Shareholders' Meeting

Notice of Shareholders' Meeting published in the Official Gazette of the Republic of Italy – Series II – Announcement Sheet – Business Announcements – Notice of shareholders' meeting – n. 46 of 17 April 2021

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BANCA CAMBIANO 1884 S.p.A

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Parent Company of the Gruppo Bancario Cambiano
Registered at n. 238 of the Register of Banking Groups
Registered offices: viale Antonio Gramsci, 34 –
50132 Florence (FI), Italy
Share capital: € 232,800,000.00 fully paid-in
Register of companies: Florence 02599341209
Administrative Economic Index (R.E.A.): Florence 648868
Fiscal code: 02599341209
VAT code: 02599341209

Notice of Ordinary Shareholders' Meeting

The Shareholders are hereby given notice of an ordinary shareholders' meeting, to be held at first calling on 13 May 2021 at 11:00 a.m. in the registered offices located in Florence, in Viale Antonio Gramsci n. 34 and, if necessary, at second calling, on 14 May 2021 at 11:00 a.m., same location, to discuss and vote on the following agenda:

1. Approval of the Financial Statements at 31 December 2020, subsequent to review of the Report of the Board of Directors on management, of the Report of the Board of Statutory Auditors and of the Independent Auditors. Allocation of net profit for the year. Resolutions pertaining thereto and resulting there from;
2. Presentation of the Consolidated Financial Statements of Gruppo Bancario Cambiano at 31 December 2020 and of the Report of the Independent Auditors. Resolutions pertaining thereto and resulting there from;
3. Approval of the remuneration and incentive policies of Gruppo Bancario Cambiano: (i) Annual report on the remuneration policies and incentive policies for the 2020 fiscal year; (ii) Adoption of remuneration policies and incentive policies for the year 2021;
4. Reconstitution of the Board of Statutory Auditors for the remainder of the 2020-2022 three-year period by means of the nomination of an alternate auditor in replacement of a resigning alternate auditor; resolutions pertaining thereto and resulting there from;
5. Integration of the mandate for statutory auditor already assigned to the company Deloitte & Touche S.p.A., with the inclusion of the audit of the consolidated financial statements of Gruppo Bancario Cambiano for the 2020-2028 nine year period.

ATTENTION

Shareholders are reminded that:

1) in accordance with article 32 of the Articles of Association and the Regulations for shareholders' meetings, members of the Board of Statutory Auditors are elected based on lists presented by groups of shareholders;

2) in accordance with article 11 of the Articles of Association and the Regulations for shareholders' meetings, a shareholder may be represented by another shareholder who is a physical person, unless the latter is a director, statutory auditor or employee of the company, pursuant to a written proxy specifying the name of the representative and if the signature of the delegating shareholder has been authenticated by the chairman, by members of the board or by a company employee authorized to do so by the Board of Directors, by a notary public or by any other public official authorized by law; the Board of Directors has given authorization to authenticate the signatures of delegating shareholders to all of General Management and all Branch Managers; the proxy to vote may also be assigned by means of an IT document undersigned electronically, in accordance with current laws in force and notified to the Company at the email address info@bancacambiano.it; every shareholder may receive no more than 15 proxies;

3) Shareholders whose shares are not deposited at the bank and who wish to attend the shareholders' meeting (also for the purpose of the complying with the provisions of the third sub-section of article 2370 of the Italian Civil Code) are required to file a document that demonstrates eligibility to attend and vote at the meeting, at the company's registered office at least two days prior to the date set for the meeting; shares may not be withdrawn before the end of the shareholder's meeting;

4) Given the current pandemic emergency, the shareholder's meeting shall take place in accordance with all the social distancing regulations set forth by the Health Authorities. For this reason, shareholders intending to attend the meeting are kindly requested to confirm participation by sending an email to the address segreteria.societaria@bancacambiano.it by 7 May 2021.

The Chairman of the Board of Directors
Paolo Regini

TX21AAA4154 (on payment).

Corporate and Supervisory Officers

Corporate and Supervisory Officers

Board of Directors

Chairman	*Paolo Regini*
Vice Chairman	*Enzo Anselmi*
Director	*Mauro Bagni* *
Director	*Giambattista Cataldi* **
Director	*Giovanni Martelli* **
Director	*Paolo Profeti* *
Director	*Giuseppe Salvi* *

* Member of the Executive Committee

**Independent Member

Board of Statutory Auditors

Chairman	*Gaetano De Gregorio*
Acting Member	*Riccardo Passeri*
Acting Member	*Manuela Sodini*
Alternate Member	*Luca Quercioli*
Alternate Member	*Gianluca Musco (in office until 9 March 2021)*

General Managers

Managing Director	*Francesco Bosio*
Vice Deputy Managing Director Vicario	*Bruno Chiecchio*
Vice Managing Director	*Giuliano Simoncini*

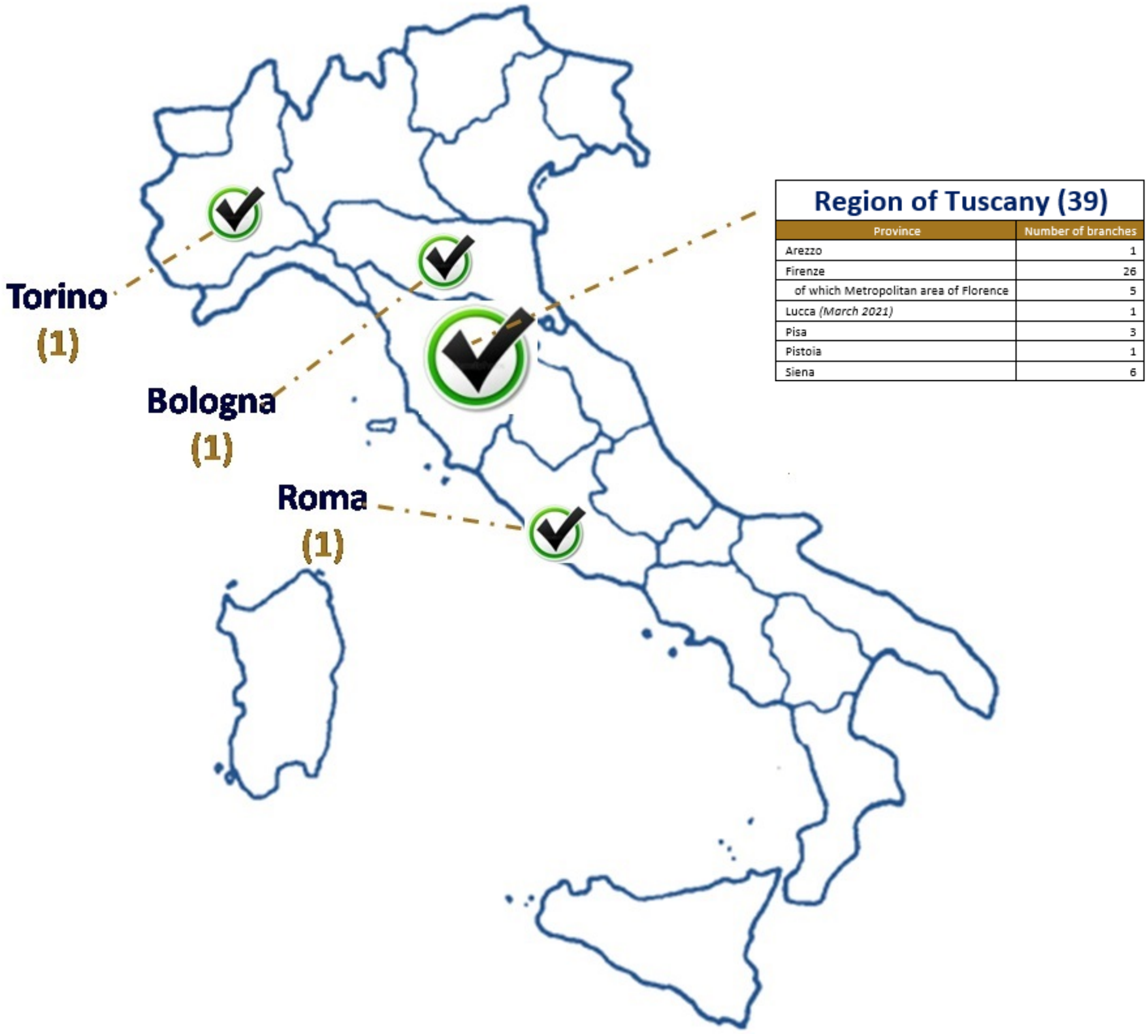
Independent Auditor

Deloitte & Touche S.p.A.

Network of Branches

The network of branches of Banca Cambiano 1884 Spa comprises n. 42 branches, of which n. 39 in the original home locations in the region of Tuscany, and 3 located in Turin, Bologna and Rome.

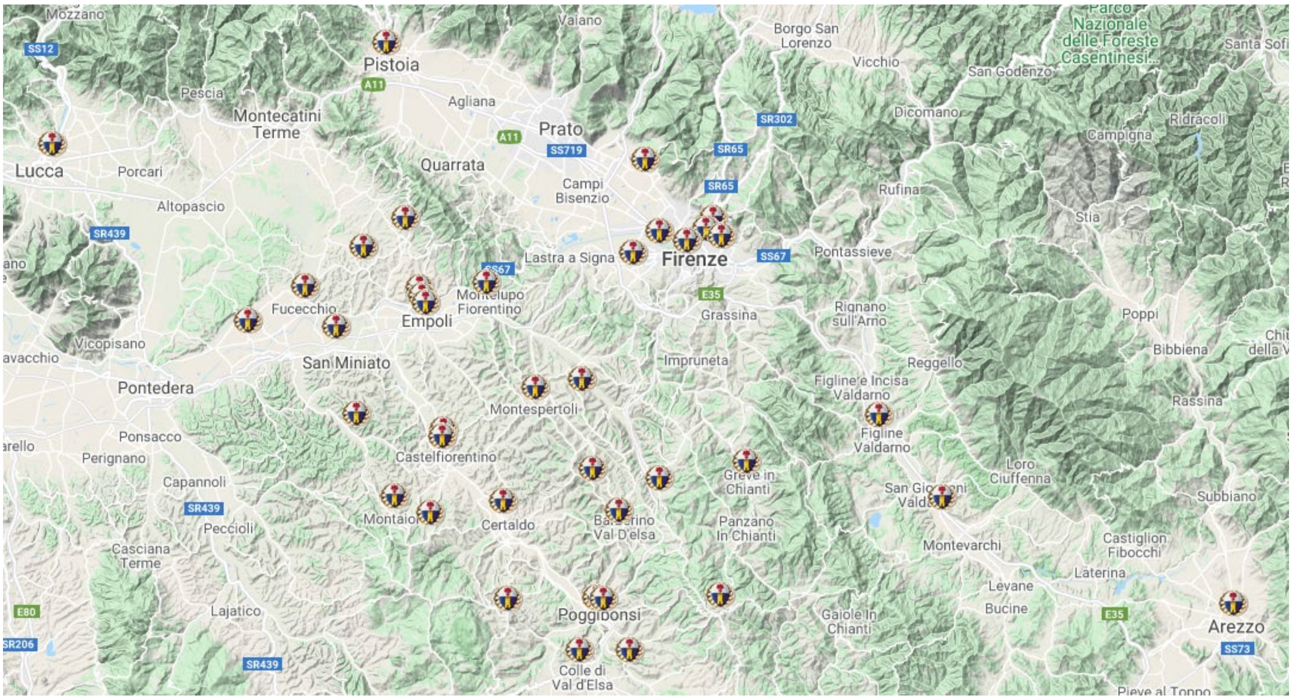
Figure 1 – The network of Branches of Banca Cambiano 1884 S.p.A.

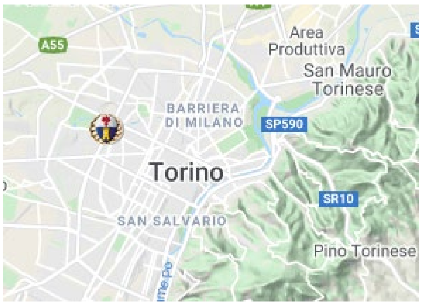


Province	Number of branches
Arezzo	1
Firenze	26
of which Metropolitan area of Florence	5
Lucca *(March 2021)*	1
Pisa	3
Pistoia	1
Siena	6

Territorial Area	Lending	% Lending	Direct Deposit	% Direct Deposit	% Lending/ Direct Deposit
Region of Tuscany	2,631,140,796	90.62%	2,567,235,347	89.87%	102.49%
Bologna Branch	81,352,943	2.80%	66,085,992	2.31%	123.10%
Turin Branch	88,202,595	3.04%	104,778,569	3.67%	84.18%
Rome Branch	102,843,635	3.54%	118,360,876	4.14%	86.89%
Total	**2,903,539,969**	**100.00%**	**2,856,460,784**	**100.00%**	**101.65%**

Map of branches





Report on Management

Nel mezzo del cammin di nostra vita
mi ritrovai per una selva oscura,
ché la diritta via era smarrita
… …
E quindi uscimmo a riveder le stelle [(1)]
Inferno, I, 1-3 / XXXIV, 139

Dear Shareholders,

The 2020 fiscal year will be remembered as the year of the Coronavirus pandemic, which has lasted into 2021, year of the 700th year anniversary of the death of Dante Alighieri, father of the Italian language of the "culture" that there from derives. His verses at the beginning and at the end of the first Canticle, and which are transcribed in opening of this report[(1)], symbolize the situation that we are currently in, the gloomy woods and the search for the path that leads in the right direction, and give us the strength and the hope of recovering some sense of normality, and being finally able to see the stars once again.

The critical times we have been going through for over a year now are engulfing us and subjecting us progressively to the feeling of an inescapable situation. It is not because we become accustomed to the discomfort and the difficulties created by the pandemic, and much less to the suffering for the many, too many, victims, but because we are facing a reality that we must deal with, without "bypassing it", and alas nothing becomes more normal than reality. It must also be said that it is the very exceptionality of these times that make them normal. If we were alert and conscious, and history teaches, or should teach, just this, we would see that reality is, in fact, always exceptional, more exceptional than the normality of which we dream.

The Coronavirus represents a revival of historical plagues, that live on despite modern-day beliefs and certainties. The spread of the virus has known no bounds and the consequences have impacted everyone, albeit each Nation with its own capacity to react.

Our Bank has faced this heavy emergency with an intense activity on the part of the entire corporate structure, which has allowed us to guaranty full operational capacity even in the most critical stages. The difficulties we have dealt with have been many, and only those who actually remained at work, "in the trenches" so to speak, can really know the depths of the experience. And we are duty-bound to acknowledge this at the start of this report on management, and we must deeply thank all our personnel and staff, especially those who, albeit with all the required precautions, worked and work in contact with the public. The appreciation on the part of our customers has been heartfelt; our conduct was seen by all as testimony to our real nature. The strength to be present when many disappear from sight.

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(1) *When half way through the journey of our life / I found that I was in a gloomy wood,/ because the path which led aright was lost…*
And thence we came forth to see again the stars.
Inferno,I, 1-3 / XXXIV,139 – translation by Prof. C. Langdon

This being said, the Bank is nonetheless continuing the consolidation and reorganisation process, to be able to carry out its role in support of the local economies of the areas of business, mostly SME and families, in the best way possible. We are well aware that Banca Cambiano remains the principal, independent, banking institution in Tuscany; we feel the social weight of this position as well as the responsibility of applying strict management criteria so as to not waste resources, to measure operating possibilities rigorously and reconfirm our consolidated aversion to the infatuation with size, with appearing but not being, a vice that the history of many Banks has shown to be pernicious.

The authorization process that has lead the Bank to become the Parent Company of the Gruppo Bancario Cambiano, which also comprises Cabel Leasing spa and Immobiliare 1884 srl, came to its conclusion in July 2020. The Parent Company activity previously carried out by Ente Cambiano brought to light operational difficulties, duplications in decision-making processes and bureaucratic burdens. The functional misalignments derived from the dependence from a subject with a purpose and mission regarding an activity that was completely different. Hence, the new configuration of the Group has defined a structural setup that fully corresponds to the function, founded on an efficiency-based model, that allows for appropriate operational projections.

The main company data are illustrated below. The results are the outcome of a management model centred on the quality of customer relations, on assigning priority to the consolidation of the bank's position in new urban territories, on the catalogue of products and services and on the support provided to the local productive fabric and families.

Main summary data

SUMMARY DATA AND INDEXES

data in €/000

	SUMMARY DATA AND ECONOMIC INDEXES	31/12/2020	31/12/2019	% Variation
DATA	Interest income	61,654	60,112	2.57%
	Commission income	27,088	28,063	-3.47%
	Operating income	100,889	90,092	11.98%
	Net income from financial assets	72,079	79,521	-9.36%
	Total operating costs	63,331	61,735	2.59%
	Of which personnel costs	*27,469*	*27,133*	*1.24%*
	Of which other administrative costs	*33,565*	*33,748*	*-0.54%*
	Net result for the fiscal year	8,100	13.200	-38.64%
INDEXES	Cost / Income (Operating costs / Operating income)	62.77%	68.52%	-8.39%
	Interest income / employees (average value)	161	155	3.91%
	Commission income / employees (average value)	71	73	-2.21%
	Operating income / employees (average value)	264	233	13.45%

	SUMMARY DATA AND CAPITAL RATIOS	31/12/2020	31/12/2019	% Variation
DATI	Total assets	4,025,142	3,806,585	5.74%
	Total risk-weighted assets (RWA)	1,984,701	2,112,687	-6.06%
	Receivables from customers	2,812,842	2,557,996	9.96%
	of which non-performing loans	*83,932*	*89,287*	*-6.00%*

	Total financial assets	990,884	1,033,785	-4.15%
	Overall deposits	3,894,983	3,964,284	-1.50%
	of which direct deposits	*2,846,955*	*2,945,455*	*-3.00%*
	of which indirect deposits	*1,048,028*	*1,018,829*	*2.87%*
	Shareholders' statutory equity	198,492	181,655	3.76%
	Tier 1 capital (CET1)	231,411	239,686	-3.45%
	Total own funds	292,352	295,562	-1.09%
INDICI	Lending / Direct deposits	98.80%	86.85%	13.37%
	CET1 ratio	11.67%	11.35%	2.82%
	Tier 1 capital ratio	12.18%	11.35%	7.31%
	Total capital ratio	14.75%	13.99%	5.43%
	Net non-performing loans / Receivables from customers	2.98%	3.49%	-14.51%
	Receivables from customers / employees (average value)	7.363	6.610	11.40%

	STRUCTURAL DATA	31/12/2020	31/12/2019	% Variation
DATI	Employees (precise number)	392	392	0.00%
	Employees (average value)	382	387	-1.29%
	Number of tellers	42	42	0.00%

Reference scenario

Also with respect to the publication of national income statements referred to the fourth quarter of 2020, we can trace a first out come as the work year for the Italian domestic economy since the Second World War.

The year 2020 was scarred by the social distancing measures that significantly influenced social life and, consequently, economic activities, albeit with dissimilar impact between different demand, production and services components. The purchase of certain services collapsed almost to disappearance, with a strong associated sector concentration of losses: the most penalized were accommodation and restaurant services, which watched their respective added value lose more than 24 billion, with a reduction of more than 40 percent as compared to 2019. National accounts also show how the widespread use of social safety nets has placed a part of the cost of the crisis on public accounts. In the aggregate, the purchasing power of families, held up by the data from fixed income earners in the public sector and similar employs, with respect to the private sector, has not lead to a relevant global variation. The fall in consumptions, combined with payment moratoria for private citizens and businesses, have lead to an significant increase in savings, also due to the widespread uncertainty and fears for the future: a booming 8 billion per month increase since the start of the pandemic. A datum hailed by certain inexperienced, or unprincipled, observers as synonymous of wealth. The operating income of working businesses also, in many cases, did not drop, often due to the fact that labour demand dropped more than the GDP, thereby registering an increase in productivity, which is an anomalous datum for a recession period. Equally unusual is the steady level of investments, in view of a serious recession, such as is that of 2020. Markets are going crazy, rising and falling, it is a time when everything seems possible and money is given away; the problems may arise after, when, once markets come back to their senses and "take back" the money you have just earned. Fiscal policy worked in terms of "freezing" the accounts of sectors that suffered the crises. If the recession comes to an end in a few months, thanks to the vaccine roll-out, there is a good chance that it will be possible to limit drop in potential output.

Therefore, generally speaking, the glass is half full: things are not going at all well, but the system is holding up against the weight of a crisis that has already lasted to long, caused by an up to then unknown and devastating factor that did not, and does not, provide any possible reference to previous experiences. The hope is to be able to progressively reduce the extension of the pandemic, which would allow loosening up on health measures and starting to move towards a real recovery. This will be possible only by means of a mass and rapid vaccination campaign. The vaccine is the symbol of salvation: unfortunately, instead of being a primary good available to all, as amply heralded both by the EU and by individual countries, the reality is proving to be dramatically different. After months of listening instead of acting, the vaccine remains, as yet, a scarcely available good. Whose merit is this? Let us put aside any considerations regarding Europe, which should have dealt with the situation in a unified manner, as well as any mention of the “fragile” contracts agreements stipulated by the curial and “excellent” EU burocracy vis-à-vis the real negotiation skills of *big pharma*. However, from that situation, stemmed the random initiatives aimed at finding direct supplies by single nations, even those who are leading Community actors especially when others must pay the price, and even on the part of individual Regions on a national level. Let us put aside any easy consideration that may come to mind on this matter. The mere facts are enough to show just how far away we really area from the very founding principles of the European Union.

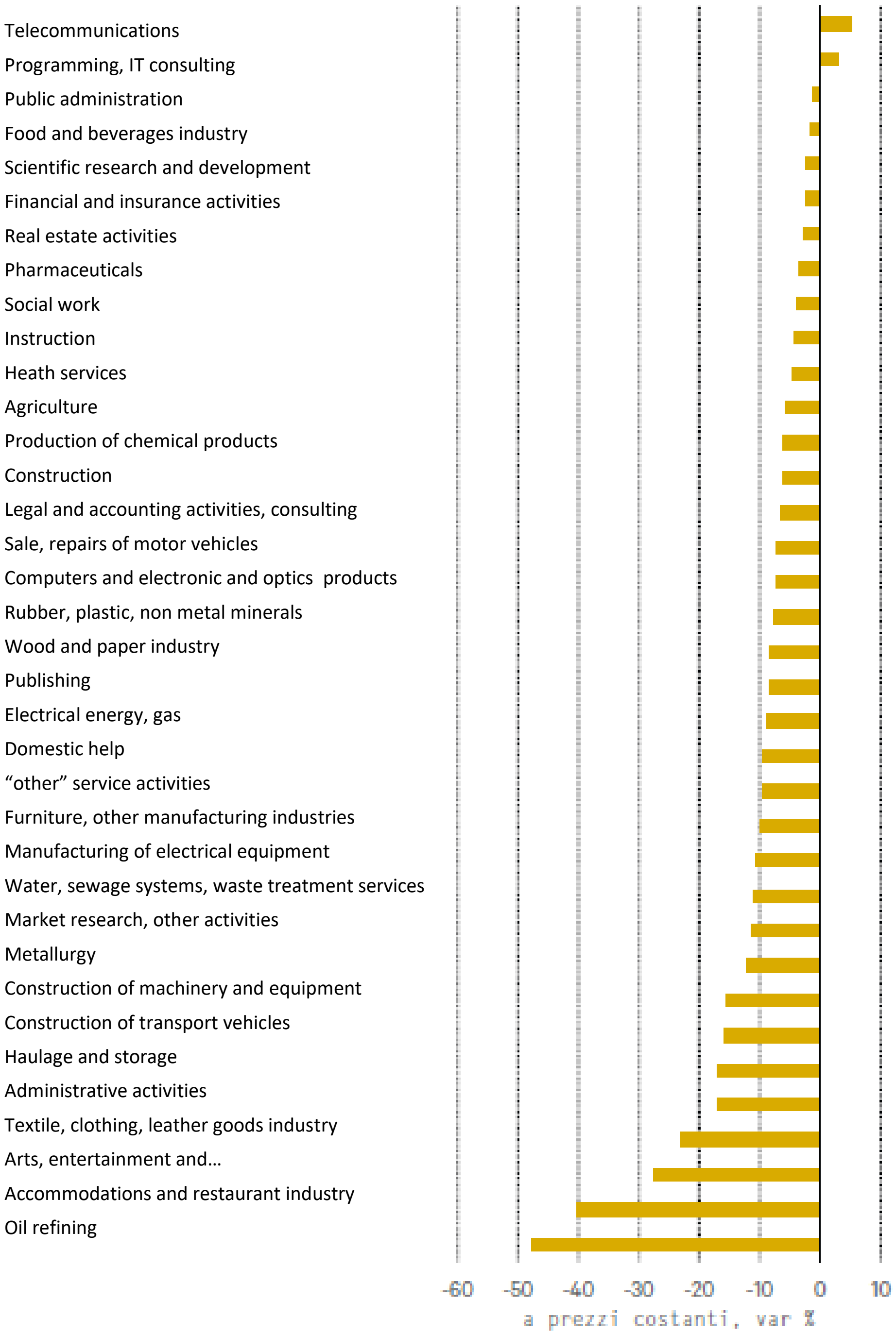
The final data for the whole of 2020 by Istat, as well as the profile of the principle variables during the year, come as no surprise: after the crash in the first half of the year, and the strong rebound in the third quarter, full recovery has struggled take full shape at year’s end. Fluctuations reflect the restrictive measures adopted to contrast the spread of Covid-19 and, therefore, register not only significant variability over time, but also in terms of the trends of various demand components and various production sectors. The volume of product losses in the various sectors during the year testify to a wide-ranging dispersion. Moreover, the greatest losses are registered in sectors that normally are not particularly cyclical: principally, the accommodations and restaurant sector; a strong contraction characterizes the refining sector, that evidently could not but suffer the limits placed on mobility (-48 percent); next is the entertainment sector, for which activity in many cases has been fully interrupted (-27 percent) and the textile-clothing and leather goods sector (-23 percent) that has been faced with a crash in demand, seeing as the greater amount of time spent closed inside their homes has vastly reduced consumer wardrobe needs and spending. To the contrary, telecommunications and IT activities registered a positive trend, in line with the growth of many activities associated to remote schooling, smart working but certainly also due to a demand for means of communication to be able to “speak” with others and “see” one another. Solitude weighs heavily on peoples shoulders, seeps inside, increasing discomforts and difficulties. This loss of the capacity to act represents a vulnus that politics (the one with a capital P however) should take into account, to assess the true driving force needed for recovery.

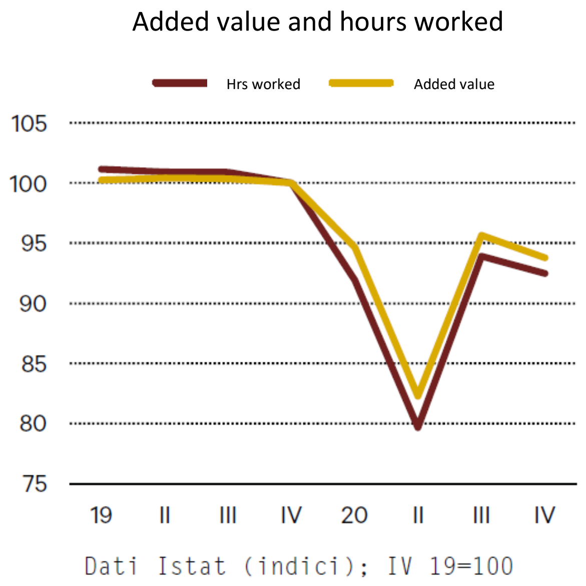
The average yearly data derive in part from the monstrous drop during the spring lockdown and, during the second wave, to the persisting contraction stemming from containment measures. Measures that were necessary, useful, at time extemporaneous and improvised, other times senseless and often accompanied by scarcely effective communications. The description of trends at a more aggregate level shows that at the lowest point of the second quarter, the most marked drops were registered by industrial sectors. Nevertheless, already at year’s end, many industrial sectors showed signs of inverting the trend, tracing a “V-shaped” cycle. For these sectors, one may forecast, with the lightening of the pandemic, a trend for 2021 with a positive variation. In the services industry, however, various sectors continued to work even during the prolonged lockdown conditions. The sectors that are still in deep crisis at year’s end, and that will have to wait for the end of the epidemic to recover, are the accommodations/restaurant and recreation sectors, along with clothing and leather goods.

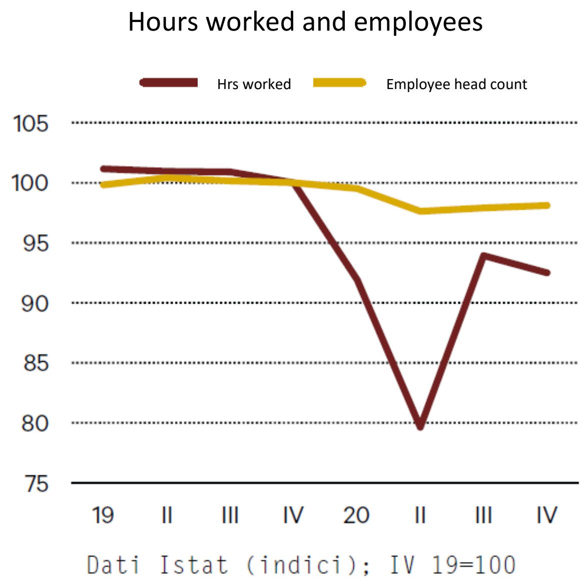
As regards the hotel and restaurant industry, one of the most impacted by the restrictive measures over the last period, based on a study by the National Council and Foundation of Chartered Accountants, it appears that the COVID-19 emergency has caused these two sectors losses for the 2020-2021 two-year period amounting to 38 billion euro in sales.

In both cases, the Observatory estimates fewer losses in 2021 (-35%) with respect to 2020 (-44.2%). For the remaining part of 2021, the Observatory forecasts a gradual, but partial, recovery in the sector, as vaccinations continue and indicators allow activities to reopen. Specifically, a strong recovery is expected in the third quarter which, in some cases, should reach 90% of pre-COVID levels, as well as a solid recovery in the fourth quarter that, however, especially for the hotel sector may still feel the negative effects of the harsh drop in arrivals from abroad.

2020 Added value trend by sector







During the first wave, almost all countries imposed measures, in a more or less timely manner, to limit the spread of the pandemic. The restrictive measures inevitably resulted in a reduction in production, consumption and internal and International commerce, with a consequent decrease in GDP. During the 2020 summer months, due to a "natural" lightening of the pandemic, but with excessive superficiality heralded as the end of the pandemic, economic activities resumed in excess of expectations. During the fourth quarter, we witnessed a recrudescence of the pandemic, especially in the United States and in Europe, that rendered new restrictions necessary, albeit less stringent than those at the beginning of the year, with a resulting new drop in the economy.

Medium-range forecasts, following the start of the vaccination campaigns in various countries, feed hope of a recovery with respect to the accumulated delays, but remain influenced by the time required to distribute and administer vaccine on a large scale.

It should also be noted that the pandemic emergency and, consequently, the economic one, exploded during a particular situation for our country, characterized by some light on the one hand, but also many shadows. The negative effects on our system were certainly more intense than the effects on other countries, in view of our type of productive system; it bears remembering that almost 90% of businesses counts less than 10 employees. The critical aspects of our system need exploit Covid as a means to justify management inabilities, existing weaknesses, lack of perspective, albeit all such issues exist, because the truth of the situation is that it was a war against an invisible adversary who strikes and blocks everything. It is necessary to reconsider all types of regulations and deadlines for all sectors, relating to regulations conceived and written before the crisis, that are however applicable in a context that is diametrically opposite to the expected one. In terms of the banking sector, suffice it to call to mind the restrictive regulations regarding handling of loans and the definition of default, which came into effect starting at the beginning of 2021, mid-pandemic, and are in clear contrast with the reaffirmed policies in support of recovery, repeatedly declared by more than one institutional level.

The economic objective of the new Draghi Government will be to relaunch growth and to improve the reputation of our country on the market and vis-à-vis international institutions, which is decisive in terms of attracting investments. We must win over foreign mistrust, in favour of Italy, return our image to its old glory, show that the current reality is a far cry from those that have represented it in the past. The definition of our public finances as untrustworthy is old hat. The ratio between the high gross public debt and the GDP is far and away the highest among advanced countries, second only to that of Japan, feeding this negative opinion. Concretely, the situation, while complex and heavy, is different from the one painted by such rooted prejudices, in terms of productive capacity, of existing private savings, and of public finances.

It may be summarised in five points.

1 – Italy is the second European manufacturing power, after Germany. Globally, it ranks seventh, ahead of France and the United Kingdom. If one considers that Italy is only twenty-third in terms of population, one can clearly comprehend the extremely high industrial vocation of Italians.

2 – These successes rest on a wide range of production, its spearheads not only the traditional consumer goods sectors, but also machinery, chemicals, pharmaceuticals, metals, means of transportation (especially auto motive), which constitute the cornerstones of manufacturing and export added value. The top positions of Italian companies in the global ranking for competitiveness speaks eloquently of the thrust towards innovation of past years. If one takes a look at the statistics published by the International Trade Centre, that aggregates a large number of indicators, elaborating a succinct indicator of industry competitiveness using a 14 sector disaggregation, one can see how in 9 of these sectors, Italy ranks among the leaders, in the first 5 positions. Germany also ranks in the top positions in 9 of the 14 sectors, while France and Spain do so in only two.

Italian competitive leadership in world commerce

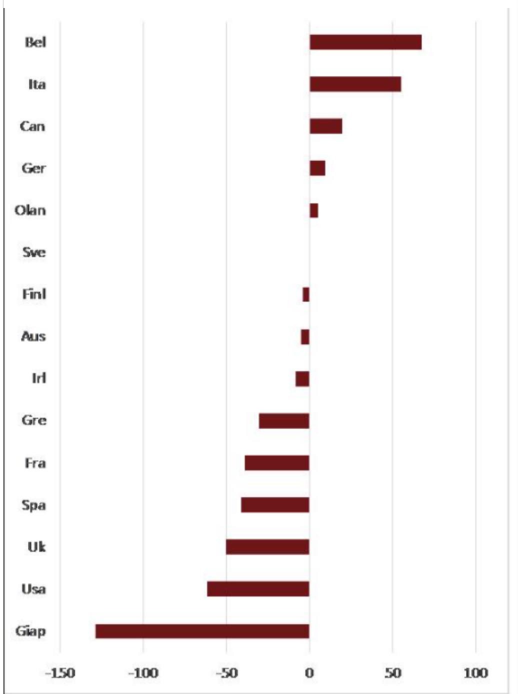
(Trade performance index, classification) classifica)

Industrial sectors	Ita	Ger	Fra	Spa	Olan
Fresh foods	130	120	94	1	3
Food industry	5	1	2	4	3
Wood products	55	1	59	7	36
Textiles	2	3	45	25	9
Chemical-pharmaceutical	28	1	2	34	3
Leather goods	1	60	35	34	32
Base manufactured goods	3	1	51	6	12
Non electronic machinery	2	1	16	26	8
IT products, consumer electronics	44	31	45	59	4
Electronic components	2	1	32	49	3
Transport vehicles	2	1	13	9	3
Clothing	1	68	69	53	59
Misc. manufactured goods	2	1	49	59	3
Minerals	127	122	124	119	62

Elaborazioni REF Ricerche su dati International Trade Centre

It also bears highlighting that the interlacing of International chains means that a significant part of German production (but also Swiss production) is the fruit of goods that the Italian industry provides to the German (and Swiss) industry. In conclusion, there is no sector in which Italy is not present, to a lesser or greater degree, so that it’s production lines are practically intact. This explains why many foreign brands manufacture here that which they can no longer manufacture in house, if not with poorer quality and/or higher costs.

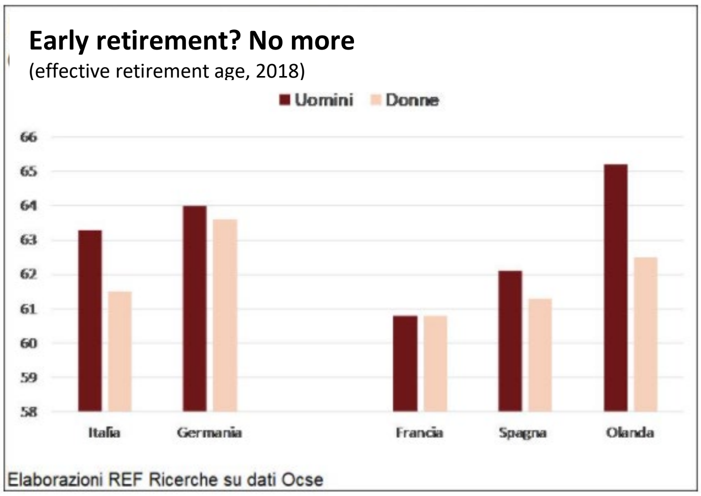
Italians vigilant on public accounts for thirty years
(Sum of primary balance-GDP ratio from 1992 to 2019)



Elaborazioni REF Ricerche su dati Ocse

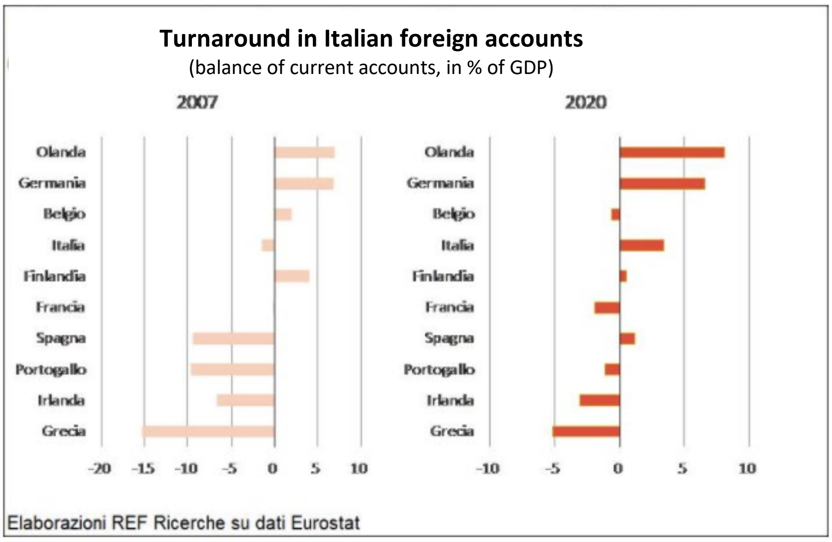
3 – National debt, in terms of levels and dynamics, does not reflect the sacrifices made by Italians over the last thirty years. These sacrifices are represented by the primary surpluses, that is, the difference between government revenues and expenditures net of interest. A positive primary surplus means that the State (in its vastest perimeter, which includes local administrations and social security) returns to its citizens, in services and monetary transfers (such as pensions), a value that is less than that which it collects through taxes and contributions. If one sums the primary surpluses over time, one can see that Italians have "tightened their belts" much more that the French, Austrians, Dutch and Germans, and just a little less than Belgians. National debt is a legacy of the 1970s and of the first half of the 1980s, when primary surpluses were negative. Subsequently, it has continued to grow by effect of limited growth and of the weight of interest.

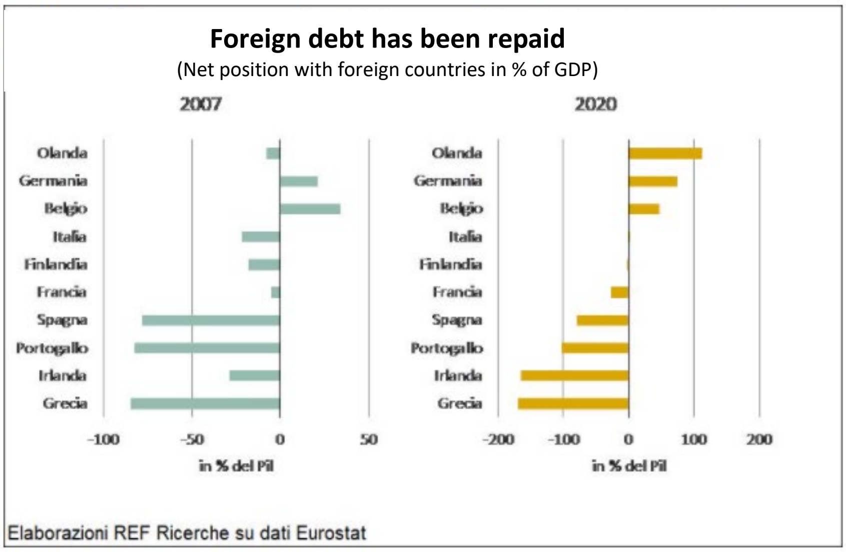
4 – Italian pensions are more generous than those of other leading European countries. The various pension reforms that have followed one another have raised, and will continue to raise, the retirement age and have introduced automatic adjustment mechanisms (for example, the adjustment of the retirement age to average life expectancy) that make the Italian social security debt lower than that of many other European countries.



5 – Public finances are only one of the three relevant finances to determine if and to what extent a country is ant or a grasshopper. The other finances are those of households and of businesses. The algebraic sum of these finances is equal to foreign accounts, that is, the whole of non financial payments and collections with other countries. In a word: the balance of payments on current accounts.

Italy has been boasting a consistent surplus of the balance of current accounts since 2013. This means that in all these years it has consumed less than it has produced, that is to say, it has saved, and these savings has financed other countries. So much so that Italy has now cleared its foreign debt, which in 2008 amounted to 23% of GDP.

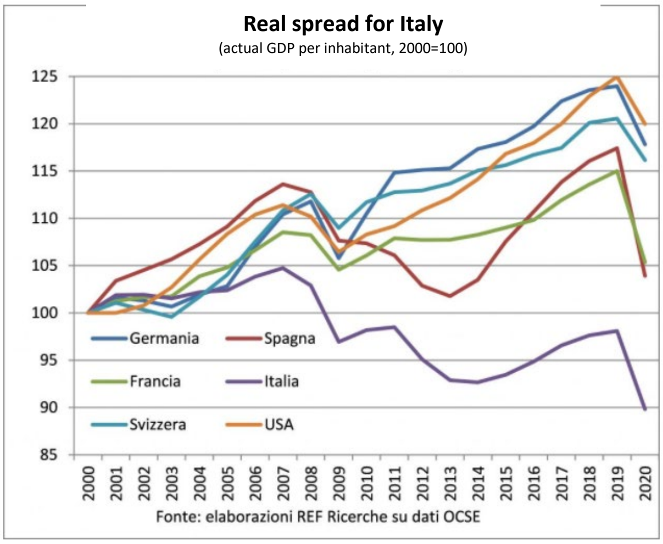




Hence, Italians are industrious people, who do not squander, but who save and by doing so also support those who are in fact the real grasshopper.

Its slow growth is the countries true illness. The level of productivity must be recuperated and increased. In order to be able to redistribute wealth and well-being, with true equity, one must produce, and to do so one must leave behind anachronistic ideologies and pernicious visions of continuous government funding. Over the last twenty years, its GDP has dropped by 0.3% annually. Excluding the *annus pandemicus*, it has grown on average only 0.2% annually. While the income per inhabitant, which is a more appropriate way to measure material well-being, has nonetheless dropped: -2.0% cumulatively in 2000-2019, -9.7% from 2000 to current day.

This drop is manifest in all its severity if one passes from absolute volumes to relative ones. That is, if one compares the Italian GDP *pro capite* with that of other nations; a comparison that emphasizes even more how the disease of slow growth is chronic in Italy. Because over the same period of time, other nations have nonetheless moved forward, despite their also having had to face the IT revolution, Chinese competition, the financial crisis, the sovereign debt crisis and the pandemic. As at 2020, the income per inhabitant for Italy was below “quota 90”, taking the 2000 as 100, as compared to 120 for the USA, 118 for Germany, 116 for Switzerland, 105 for France and 104 for Spain.



If we draw a comparison in terms of purchasing power parity, the result is even more merciless: in 2000 the purchasing power of Italians was greater than that of the French (+5%) and just below Germans (-2%), over 20% higher than that of Spaniards. The Swiss were already on another planet (-45%), and without taking into account income from capital collected from abroad (but also without considering salaries for trans-frontier workers), and Americans were almost one quarter richer (+23%). In 2020, Spaniards cut the distance to one fourth (Italy +5.1% more than Spain), while France and Germany markedly increased the distance (respectively -11% and -34% the differential with respect to Italy). Switzerland has doubled its advantage (+87%) and the USA has almost tripled it (+66%).

In twenty years Italy from equal to pariah
GDP pro capite with purchasing power parity, Italy = 100

	2000	2020
Francia	94,9	111,2
Germania	102,1	133,9
Spagna	82,3	95,1
Svizzera	144,6	187,0
Usa	123,2	166,0

Elaborazioni REF Ricerche su dati OCSE, EUROSTAT, US BEA e Census Bureau

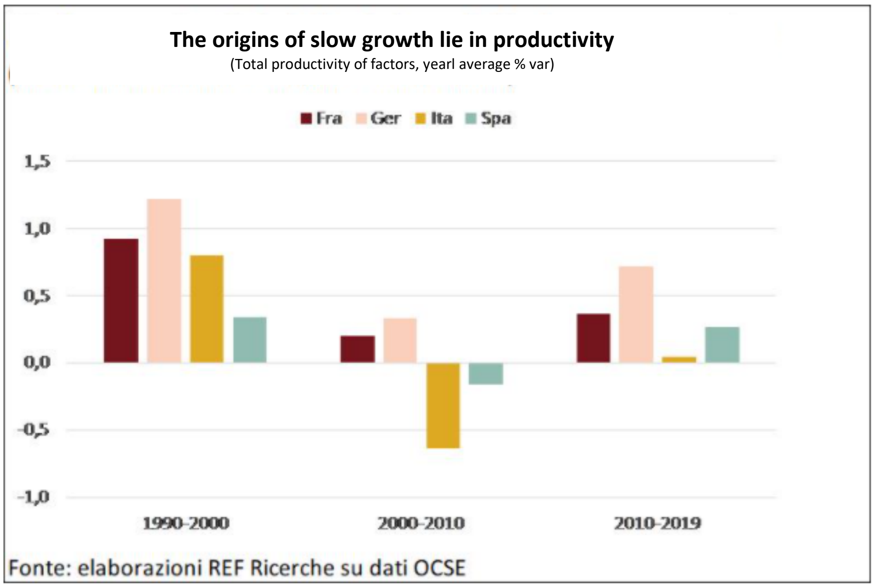
These number document how low growth rates are one of, if not the principle, real and serious diseases of the Italian economy. Productivity has been slacking for decades. Once the diseases has been diagnosed, to cure it one must find its origin. Why has the Italian economy gone from being one of the most brilliant and surprising world performances to such a decline in so short a time? The answers may be complex, but also simple.

Italy begins losing ground in the 90s
GDP, average yearl % var

	Francia	Germania	Spagna	Svizzera	Usa	Italia
anni 50 e 60	5,2	6,1	6,1	4,8	3,9	6,4
anni 70 e 80	3,1	2,6	3,2	1,7	3,2	2,8
anni 90	2,1	1,9	2,8	1,2	3,4	1,6
anni 2000-2020	0,7	0,9	0,9	1,5	1,7	-0,3

Elaborazioni REF Ricerche su dati Ocse e Istat

The trend of total productivity of factors has been analogous to that of the GDP, as the one is a component of the other. Its growth has dropped over time to practically zero.



Why has it flattened so? How do we jump start it? Acting on the factors of supply. The total productivity of the factors is both the measure and the essence of economic growth. The measure because it is a part of the GDP and of its dynamics. The essence because it indicates the capacity a country has to best combine production factors, and the capacity that depends on entrepreneurship, know-how, social cohesion and participation, the drive towards progress, shared values, ease of doing business, sustainability in its broadest definition. All these are elements, economical and social, that economist include in the supply. Therefore, logically, these same economists conclude that if the total productivity of the factors is negative, one must improve the elements of the supply. The solutions depend therefore on the element on which one wishes to intervene.

For example, increasing the certainty of rights, the defence of compliance to contracts, having a rapid justice process that is not subject to interpretational fluctuations, often executed in "hindsight". Too many times we have witnessed, even in the banking sector, how conduct in compliance with current regulations has been censured over time by apodictic juridical interpretations, often in clear contrast even with third level sentences, that then prove, in turn, to be they themselves uncertain. An efficient judicial system reduces uncertainty, entails the reliability of return on investments, increases trust and the propensity to assume risks and invest, leads to an opinion of reliability even on the part of foreign investors. It is necessary to act so as to increase the competencies of the people, enhance instruction and training, invest in technology, that will be fundamental for a competitive advantage in a changing world in which technology is a strategic and necessary component, regardless of the size of the business. It is important to implement a new way of doing business, where the entrepreneur is the leader of a closely connected team, where all the employees are first and foremost individuals who are and feel involved and participants, where attention is paid not only to the product but to customers, innovation, sales and marketing, the territory and the environment.

Following years of economic rigor, which has proven unsuccessful, the idea that an expansive economic policy may not only increase demand, and therefore GDP, over the short-term, but may even increase a country's potential for growth, integrating people into production processes, who become trained, acquire competencies and hence become drivers for the economy, still struggles to make headway. To the contrary, restrictive policies penalise production. By way of a reflection on this aspect, one cannot but wonder whether it is right or an error to assist and adhere to a different conception of the economy, passing from a social-humanistic matrix discipline, aimed therefore at striving for the common good, to an economic "science", based therefore on mathematical models and hence more suited to recording rather than forecasting, if not on bases assumed as reference principles, such as the model of the *homo oeconomicus.* As regards the forecasting reliability of economic modelling, on which economic policies and decisions are based, the current Covid scenarios, the innumerable bubbles of even recent history or the increasingly less rare cases of “black swans” may suffice in answer. From political economy to economic politics, this is not just a play on words.

The public sector, the justice system and burocracy represent the true burden that brakes the growth of the Italian economy, which returns, in terms of infrastructures, services and efficiency, less than that which it takes in terms of taxation. For a new start, it will be essential to spend available resources wisely: this debt, underwritten by Countries, institutions, markets and savers, will be sustainable, will, that is, continue to be underwritten in the future, if it is used for productive objectives such as investments in human resources, in infrastructures crucial to production, in research; that is, if it becomes a “good debt”. It’s sustainability will fail if instead it is used for unproductive purposes, and is therefore considered a "bad debt ". A critical test will be the programs for the Recovery Plan for European aid, which are already at a second draft.

The return of growth, a growth that safeguards the environment and that does not humiliate the individual, has become an absolute imperative, in order for economic policies to be sustainable, provide income security especially to the poor, to reinforce social cohesion that has been rendered even more fragile by the pandemic and that may be rendered even more so by the difficulties that exiting this recession will create in the months to come.

Significant events during 2020

Pandemic emergency

On 30 January 2020 the World Health Organisation (WHO) declared a global-wide public health emergency as a result of the spread of the Covid-19 virus, which slowed down, and in a number of cases interrupted, economic and commercial activities in many sectors, on a worldwide level.

The Gruppo Bancario Cambiano immediately implemented all government regulations to guaranty preventions measures and the safety of personnel, customers, and suppliers, while also guarantying full operational levels by implementing appropriate service initiatives and the application of regulatory measures to support businesses and families.

The Bank implemented its own commitment to putting the customer first through guaranteed continuity of key services for all segments and in all channels, using innovation, and digital tools and technologies in order to ensure proactivity in the management of relations, while also ensuring overall safety. A fast and concrete response to the emergency was made possible also through the creation of special task forces to manage human resources, commercial activities and credit management.

A series of measures were adopted to safeguard the safety of personnel and customers. For personnel, smart working and rotating employee shifts were introduced, appropriate and adequate personal protection equipment were distributed (masks, hand sanitation gels and surface sanitizing products), Plexiglas safety barriers were installed both in positions in contact with customers and, where necessary, in offices. Daily cleaning of branches and offices was intensified, also including the sanitising of work spaces where required. Instructions were given to all personnel regarding the scrupulous observance of necessary precautions, and, to bolster safety during the critical stage of the epidemic, access to the branches was on appointment only. Customers were asked, as far as possible, to use automatic tellers and internet banking services. Nonetheless, even during the lockdown, the continuity of in-branch bank services was always guaranteed.

The Bank firmly proved how close it stands to the community, through fast responses to customer needs and initiatives in support of customers, starting from the very weeks of the emergency, to provide real help; interventions in favour of local health facilities were also significant.

Banca Cambiano 1884 new parent company of Gruppo Bancario Cambiano

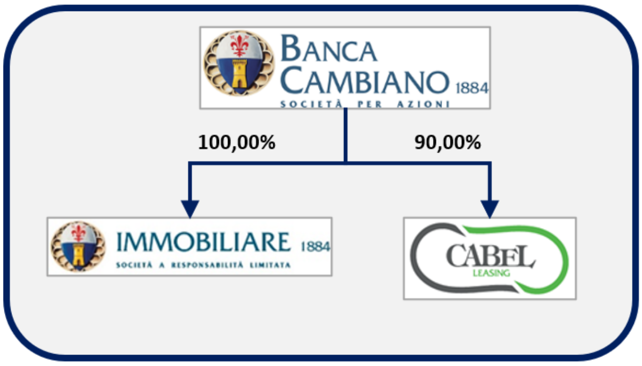
Following the application submitted to Bank of Italy on 10 February 2020, and subsequent to the authorisation received on 11 May 2020 and the amendments made to the Articles of Association during the Extraordinary Shareholders' Meetings of Ente Cambiano (8 June) and of the Bank (16 June), effective 8 July (date of registration in the Company and in the Register of Banking Groups) the perimeter of the Gruppo Bancario Cambiano has changed, in that BANCA CAMBIANO 1884 S.P.A. has gone from "component" "parent company" and ENTE CAMBIANO SCPA has been expunged from the perimeter of management of the group. Hence, effective that date, Ente Cambiano no longer covers the function of parent company to the Gruppo Bancario Cambiano, which has been taken over by the Bank.

Ente Cambiano continues to hold its 92.77% shareholding in the Bank's capital but, in that it is no longer the parent company, it is excluded from the perimeter of action of vigilance of Bank of Italy. Ente remains, nonetheless, subject to regulations regarding vigilance requirements relative to "capital shareholders" as provided for by art. 25 of the Consolidated Banking Act regarding essentially the honourability of exponents. It remains within the perimeter of the regulatory consolidation that continues to replicate (as per art. 11 JRC) that of the consolidated financial statements of Ente Cambiano.

With the new structure of the Bank Group, the management, coordination and control activities set out in the contracts underwritten between the Bank and the Ente for the outsourcing of "Internal Audit" and "Management and Coordination", cease, insofar as responsibility of the Bank Parent Company. Consequently, effective 1 August, secondment of personnel to the Ente also ceases.

The new structure of the Gruppo Bancario Cambiano is illustrated here below.

Figure 2 – Structure of the Gruppo Bancario Cambiano



Subsidiary Invest Banca

During the month of March, within the scope of the subsidiary Invest Banca spa, with regard to management unduly operated on specific positions, there was heavy fallout in economic terms. The degree of the fallout was such that it felled the overall assets of the subsidiary and proceeded to zero the registered loss. As a result, shareholdings by the Bank were fully depreciated by 7.22%, equal to € 1.450 million at the end of the 2019 financial year.

As a consequence of the above, at the end of March, part of the subsidiary shareholders made payments for future capital increase for a total of 13.5 million, in which Banca Cambiano participated in the mount of 1.5 million. This transaction was carried out for the purpose of safeguarding the structure also in light of its social value in the area, and to strive in view of a recovery of values, repositioning the subsidiary under ordinary management of accounts on conclusion of the early intervention measures provided for by Bank of Italy with measures issued on 26 August last. The aforementioned procedure comprised the nomination of temporary extraordinary management bodies, with the aim of ensure adequate supervision of the operations of the subsidiary Invest Banca and restore healthy and prudent management conditions.

A complex operations for the entry of new shareholders is currently at an advanced stage; hence, the early intervention procedure may come to a close and the new and ordinary management of Invest Banca may begin, re-launching the subsidiary based on a comprehensive business plan. According to forecasts, the entire operation should come to completion within the end of the first semester of 2021.

Issue of AT1 permanent bonds

The measures to reinforce corporate capital, which began some time ago, have continued, in line with the "capital management" plan defined at a company level, with the issue of AT1 type permanent bonds for 10 million euro, which, for Vigilance purposes, are included among additional components of own means. Greater details on this matter are contained in the specific section of the report.

Strategic growth during the period

The strategic choices, both those programmed and those progressively being implemented, are outlined in the 2020-2024 Business Plan, approved in January 2020. The Plan is centred on the autonomy of Gruppo Bancario Cambiano, which has the following principle levers: (i) the creation of value over the medium to long term, reinforcing the role of local, autonomous bank, as a distinctive trait for all stakeholders: customers (households and SME), shareholders, institutional investors, employees; and (ii) the implementation of a development model based on company vitality methods centred on income propensity and sustainability in the allocation of resources, with constant reference to compliance in terms of prudential ratios.

Within this scope, measures aimed at preserving the structural bases of the overall technical situation continue to be a priority, with particular reference to cash, capitalisation, provisioning rates, the financial lever, efficiency and productivity indexes, and the diversification of revenue sources.

A conscious and sustainable orientation towards the future is necessary, in striving for the best possible profit conditions and to implement projects for growth, with all connected investments, to further improve the operating model and the range of products and services, with the aim of increasing the efficacy of business competitiveness and the efficiency of the work structure and processes. Business measures will therefore be aimed at an overall increase of profitability both in the short and in the long term, at the affecting the cost/income ratio in a beneficial manner, at increasing the volume of indirect deposits, especially in the managed compartment, and at reducing the cost of credit by reducing the overall incidence of gross and net impaired loans.

The Bank confirms its intention to be a modern business concern, fast and flexible, capable of competing at high levels in its markets of reference, aiming to establish long-lasting relations with customers to build stable, mutual, economic advantages. The relationship policy has proven to be crucial in defining the Bank specifically in a context of operational standardisation with a marked transationship foundation.

The lines of action identified by the Bank are aimed at: (i) broadening the possibilities for access to capital markets; (ii)strengthening its positioning as local bank for families and small and medium businesses; (iii) reducing the credit risk profile by implementing the overall process; (iv) shortening the distances between the bank and its competitors in terms of risks.

In December 2020, we underwent a "self-assessment" process called "Sustainability of business: *self-assessment* and identification of areas of intervention" required by Bank of Italy of all LSI banks (*less significant institutions*) subject to national vigilance in compliance with a line dictated by the ECB. With a note issued on 23/11/2020, Bank of Italy therefore required Gruppo Bancario Cambiano to carry out a comprehensive assessment of actual business sustainability with reference to the analysis of a wide range of risks, from the trend of the profit and loss account to the evolution of the capital position. Additionally, Bank of Italy also required a description of the initiatives deemed most appropriate to overcome any critical profiles based on the estimate devolution of the current context. An assessment of the Group's business reconfirmed the expected trends of the main company indexes, including revenue, costs, allocations, and fully loaded and transitional capital coefficients (CET1, T1 and Total Capital Ratio), net return (ROA) and the cost/income ratio provide a detailed view of the evolution of the business and of the resulting indicators required for the 2021-2022 two-year period, also resulting from the set up of specific interventions to improve the overall position of the Bank.

In order to report properly as to the requests, careful analyses and inspections were carried out, also with consultation and assistance by PWC, outlining a sequence of initiatives to support profit capacity, and subsequently the plan for the 2021-2022 two-year period was redefined, including business development initiatives. A conservative and product approach was adopted, in carrying out the above analyses and forecasts, both for assessments regarding credit risks and in factoring the initiatives planned in support of business development.

The Bank and, consequently the Group, therefore defined the critical points of the strategic plan with the aim of guarantying business continuity, aware of the unfavourable scenario for the traditional banking sector in relation to the forecasted weak economic growth, the continued pressure on income due to rates, the reasonable worsening of the macro-economic context due to the Covid-19 health emergency and the harshening of competitiveness in the financial sector, with the entry of unregulated operators. Pursuing the objectives that have been defined will allow the Group to adjust capital solidity parameters, to improve the quality of the credit portfolio, to innovate the operational structure, to strengthen customer bonding and to significantly increase business profitability. A weakness that is not less significant is to be found in the not infrequent misalignment between national law regulations and European treatises or administrative measures. One hears echoes of Mayer Amschel Rothschild "Let me issue and control a nation's money and I care not who writes the laws".

The new plan, post-interventions, will allow the Group to reach the objectives indicated by Bank of Italy by 2022, and, in particular, to reach an Gross NPL Ratio of 9.51%. As regards operational efficiency, through the initiatives that have been identified, in 2022 we will be able to reach a Cost-Income Ratio of 58%, well below the limit value set at 70%. Moreover, the objective relative to the *fully phased* Texas Ratio that Bank of Italy requires be lower than 90% will also be met, as for 2022 it will amount to 89%.

As regards the *fully phased* Total Capital Ratio, the objective that will be met by the Group in 2022 will be 12.34%, higher than the respective Pillar II *guidance* requirement of 12.25%.

Figure 3 – Evaluation of the plan objectives

Indicatore (%)	Obiettivo	2022 Post interventi
Total Capital Ratio *phased in*	12,25%	13,05%
Total Capital Ratio *fully phased*	12,25%	12,34%
NPL Ratio lordo	<10%	9,51%
Cost-Income	<70%	58%
Texas Ratio *phased in*	N.a.	82%
Texas Ratio *fully phased*	<90%	89%

The interventions, as defined in the plan, are decidedly aimed at supporting the positioning of the Group as an independent and local bank industry, capable of creating value over the medium/long term for stakeholders, customers, families and SME, shareholders, institutional investors and employees in the territory of reference, leveraging its capacity for organic growth and prioritizing compliance with capital adequacy requirements and principles of sound and prudent management.

In light of the positive evidence confirmed by the analyses described above, the Gruppo Bancario Cambiano does not currently plan on integration initiatives with financial intermediaries; instead, organic partnerships with national and foreign investors aimed and reinforcing the commercial thrust, will continue and, indeed, increase.

With reference to the detailed plant of interventions that have been defined, and in line with the findings of the assessment, the required interventions are currently being implemented and closely monitored by corporate structures, and the Vigilance Authority is being kept systematically informed.

Shareholdings

Bank shareholdings are represented by the investees Cabel Leasing SpA and Immobiliare 1884 Srl – which therefore fall within the scope of the Gruppo Bancario Cambiano – and by two companies in the Cabel Network (Cabel Holding Spa and Cabel Industry Spa), as better summarised in the next table.

In March 2020 the Bank purchased the 38% share holding in Cabel Leasing from Cabel Holding, measured at equity, the same parameter also used as reference in the purchase of the Cabel Leasing majority interest which took place in December 2017; the overall outlay amounted to € 7,577,960 (€ 199.42 per share). For the Bank, the increase in shareholdings moves it in the same direction undertaken in December 2017 with the purchase of controlling shares in the financial institute, completing the process and making the organisational structure of Gruppo Bancario Cambiano more coherent, through a more significant controlling share, now equal to 90%.

Table 1 - Shareholdings

SHAREHOLDINGS						
data in €/000						
Name	31/12/2020		31/12/2019		Variations	% Variations
	% share capital held	Book value	% share capital held	Book value		
1. Cabel Leasing S.p.A.	90.00%	17,694	52.00%	10,117	7,578	74.91%
2. Cabel Holding S.p.A. (*)	49.60%	21,961	49.60%	21,712	249	1.14%
3. Cabel Industry S.p.A.	18.00%	2,032	18.00%	1,981	51	2.60%
4. Immobiliare 1884 S.r.l.	100.00%	10,000	100.00%	10,000	0	0.00%
Totals		51.688		43.810	7.878	17.98%

(*) During the 3rd quarter of 2019 the "Trust Pro Bono" was established, to which the Bank transferred in usufruct 20% of share capital held in Cabel Holding S.p.A. for a 5 year period.
The cost and the book value have remained unvaried while the number of shares (for the purpose of the percent voting rights during shareholders' meeting) went from 49.60% to 29.60%.

The variations recorded on investees regard changes in shareholders' equity for capitalisation of fiscal year results approved by the respective Shareholders'' Meetings and, therefore, of the respective shares held by the Bank.

Specifically, considering the strategic importance of the investee Cabel Leasing S.p.A., it bears noting that its net profit for the 2020 fiscal year was equal to € 381,022, which will be proposed for allocation to reserves for the full amount.

Lastly, as shown in the table, the percent voting rights in Shareholders' Meetings have dropped from 49.60% to 29.60%, due to the transfer in usufruct of 20% shares to a specific Trust, with complete separation of corporate rights. This vehicle purchased the aforementioned share capital in usufruct during the third quarter of 2019, in order to facilitate their sale on the market. Therefore, the trustee, a professional operator independent of Gruppo Cambiano, independently exercises the respective rights.

Commercial policies

The 2020 context was one of exceptional magnitude with unforeseeable impacts and radical changes in needs for families and businesses. The initiatives implemented in immediate response to the situation were dictated by the health emergency scenario, which significantly modified both the method of contact with customers and the demand for products and services.

In this context, the Bank implemented a business policy, carrying forth initiatives aimed at embodying the line of "encouragement (as also set forth) by the ECB, of Bank of Italy and Italian institutions, to support families and businesses with even guaranteed loans", certain that, as stated by Governor Visco "monetary and tax authorities should continue to provide support readily, and adapt their actions to the evolving situation. Withdrawing support too soon or a failure to intervene could fragment recovery and exacerbate social unease". Considerations and forecasts that are thoroughly worthy of support if we wish to really strive for recovery. It is important to distinguish between the theoretical level of disciplines and that of the contingent reality. The latter tends to differ based on the theories used to interpret it. Far from underestimating the devastating impact of the Covid tsunami on society, we must exorcise the sense o fan irreversible catastrophe, which can be done only if everybody, at all levels, even those in the "ivory tower" roll up their sleeves to lend a hand.

The changes required in customer consumer habits have accelerated the crisis of the traditional distribution model based on closely knit, undifferentiated tellers. The objective strategy tied to the evolution of the distribution model is to define an integrated, multi-channel distribution framework and review the current concept of Branch, in view of increasing the efficiency of processes and structures. The first action that has been identified to increase the efficiency of the distribution model is the requalification of competencies within the network, to refocus it towards business roles, reducing the absorption of resources in principally executive-type roles. The second action consists in a progressive re-visitation of the concept of Branch, due to the increased technological level, to the repositioning of human capital and the progressive introduction of the figure of the "Manager" in the relation with "Affluent/Private" customers, who in essentially represents the organic moulding together of functions traditionally performed in a more dispersed manner, which was our culture in terms of customer relations. The Network of Branches comprises, on the one hand, branches that are well-sized and well-structured situations in terms of work force and, on the other, smaller branches composed of 3 or 4 units that are therefore not capable of directly presiding over the various market segments, in view of the new business dimension and that must be, as such, aided in terms of functions by the larger branches.

From an organisational point of view, the business sector, as it has been set up, is divided into five territorial areas that include all our branches/agencies. The network is supported by a *Development Team*, structured by type of customer, *retail and corporate*, aimed at increasing the degree of satisfaction of existing customers and incentivising the creation of new relations, always with the aim of setting up long-lasting relationships. To this end, we are currently studying enhancing the network by introducing figures who carry out the role of "retail managers", working across branches, managing customers with the aim of constituting a *one-to-one* type of relationship, capable of offering investment solutions tailored to the profiles of individual customers.

Product catalogue

In line with the objective set forth in the Business Plan, the range of products and services was increased, creating a greater distinction by channel and continuing to move farther away from a "product-centred" business logic and closer to a "customer-centred" logic to consolidate our presence on the markets and improve our traditional skills in customer relations, aiming at high standards in terms of services offered, also by partnering with third party companies that are sector leaders.

In line with the objectives of improving branch productivity ratios and economic contribution, while enriching the product catalogue, attention was also given to developing fee-based revenue sources, to supplement those tied to asset management, in order to increase the positive effect of the commercial measures on operating income with respect to interest income.

As regards overall indirect deposits, the ongoing interaction between Sales Management and the main "product houses" continued, in order to create products best suited to customer profiles, as is done for "internal" products.

As regards overall direct deposits, worthy of note is the significant increase recorded during the year, despite the measures implemented to reduce borrowing rates that continued during this financial year. On this point, which nonetheless registers a significant increase, the extraordinary component deriving from Covid restrictions in terms of general reduction of consumption and the widespread request for moratoria that has lead to a reduction in outflows from financial assets, is not to be underestimated.

The savings accounts and certificates of deposit continue to be the leading products in terms of acquiring new overall deposits and maintaining existing positions, in line with market strategies, testifying to the trust-based relationships that the Bank has with its customer base.

As regards lending, 2020 witnessed an increase in this area, due essentially to two factors: (i) a suspension in payments of instalments for a considerable percent of instalment credit portfolio; (ii) an increase in guaranteed loans from the Central Guarantee Fund, in implementation of the measures provided for by national emergency legislation.

The data trend must be correlated to the significant increase registered in overall indirect deposits / managed assets / insurance.

Credit and financial brokerage

Again in 2020, the Bank continued its historic vocation of supporting local industry in the territories of reference. This decision was pursued by offering products, services and conditions suited to market needs and coherently with controlling the risk levels associated to lending activities.

The development of the Bank's credit and financial brokerage activities is shown in the pages that follow, illustrated and commented through the principle aggregates and trends, comparing data at 31 December 2020 and 2019.

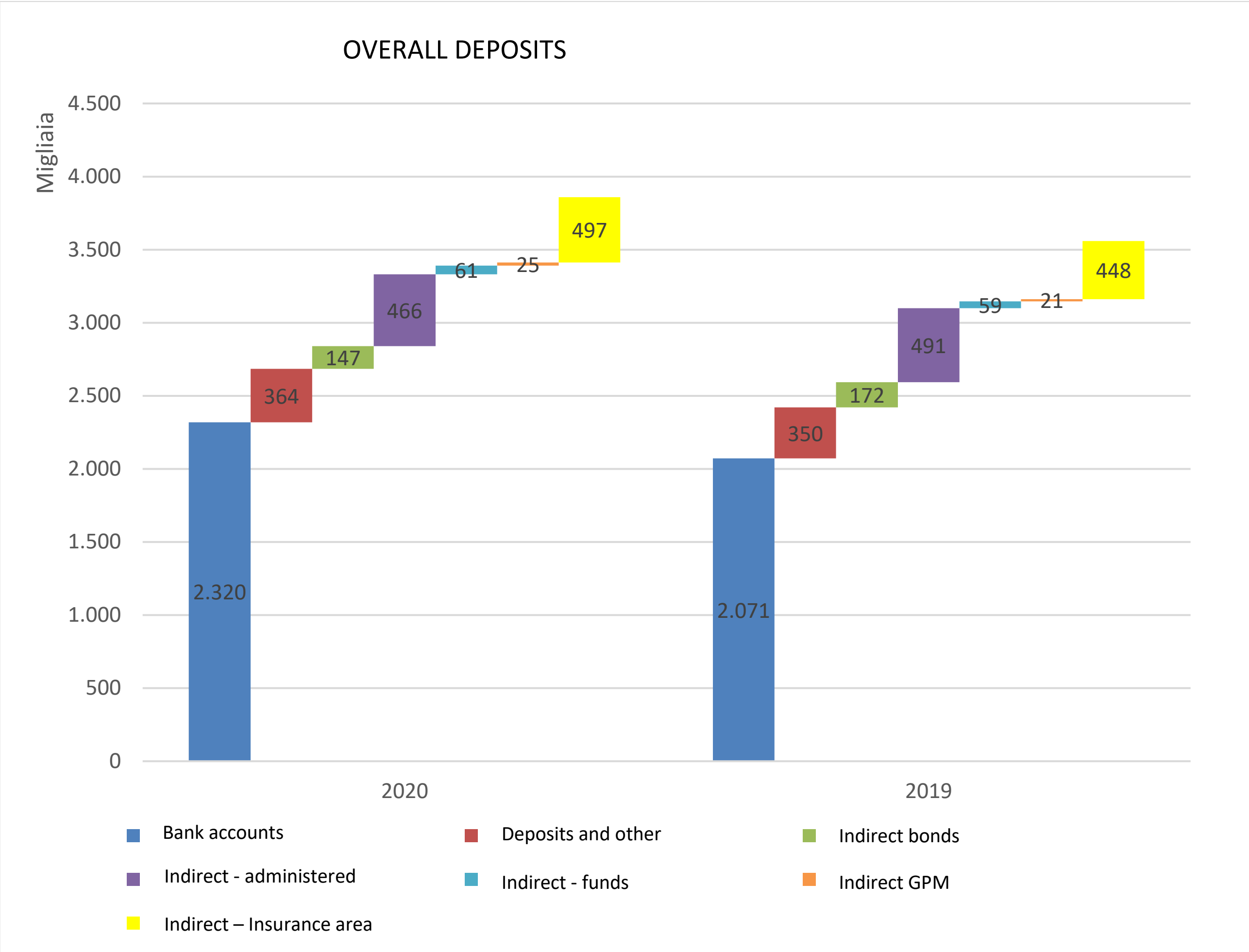
Overall deposits, direct deposit and indirect funding

Table 2 - Overall deposits

OVERALL DEPOSITS				
data in €/000				
Description	**31/12/2020**	**31/12/2019**	**Variation**	**% variation**
Payables to customers	2,700,316	2,773,316	-72,999	-2.63%
Outstanding securities	146,638	172,139	-25,501	-14.81%
Total overall direct deposits	2,846,955	2,945,455	-98,500	-3.34%
of which overall direct deposits with counterparties (e.g. CC&G)	16,784	353,113	-336,328	-95.25%
Total overall direct deposits with ordinary customers	**2,830,170**	**2,592,342**	**237,828**	**9.17%**
Indirect – Administered	465,674	490,915	-25,241	-5.14%
Indirect – Funds	60,941	58,932	2,009	3.41%
Indirect – GPM	24,747	21,099	3,648	17.29%
Indirect – Insurance sector	496,666	447,883	48,783	10.89%
Indirect deposits	**1,048,028**	**1,018,829**	**29,199**	**2.87%**
Total overall deposits	**3,878,198**	**3,611,171**	**267,027**	**7.39%**

Types of transactions/values	**31/12/2020**	**31/12/2019**	**Variation**	**% variation**
1. Current accounts	2,319,695	2,071,081	248,614	12.00%

2. Deposits	47,620	51,155	-3,535	-6.91%
3. Time deposits	303,214	297,967	5,247	1.76%
4. Liabilities referred to transferred assets	0	0	0	0.00%
5. Repo with ordinary customers	13,004	0	13,004	0.00%
6. Deposit certificates	119	428	-308	-72.11%
7. Securities	146,519	171,712	-25,193	-14.67%
Total overall ordinary deposits	**2,830,170**	**2,592,342**	**237,828**	**9.17%**
8. Repo with Clearinghouse and Guaranty Fund	0	333,563	-333,563	-100.00%
9. Funding from Deposits and Loan Fund	16,784	19,550	-2,766	-14.15%
Total other overall direct deposits	**16,784**	**353,113**	**-336,328**	**-95.25%**
Total (book value)	**2,846,955**	**2,945,455**	**-98,500**	**-3.34%**



Total overall deposits (direct, administered and insurance) at December 2020 was 3,878 million euro, increased as compared to the same date in 2019 with an increase of 267 million euro (+ 7.39%).

In detail, overall direct deposits increased across all components, although at different rates due to the management decisions made by the Bank. In fact, so-called ordinary overall direct deposits increased by 9.17% (+238 million euro), while institutional counterparts (CCG) registered a decrease of 336 million euro.

Below is the graph illustrating the breakdown of overall direct deposits, showing the preponderance of current accounts, due to customer preferences in maintaining elevated liquidity levels.

The total of overall indirect deposits was 1,048.8 million euro, making an increase of 29.1 million (+ 2.87% with respect to 2019). The commercial action at this time is in fact aimed essentially at the insurance component.
The above important result was reached by further enriching the range of products offered to our customers. As always, this business activity was developed in a manner consistent with customer risk profiles, in that, as we are keen to point out year after year, the Bank continues to favour the development of sound relations that are based on trust and that are, therefore, long-standing. Within this corporate perspective of risk aversion, the product selection and structure has favoured products that have among their main features that of not being sensitive to rate dynamics, of having a guaranteed capital and yield assumptions at the best market levels. In particular, as regards dynamic asset management, the Bank consolidated its partnering with leading market operators.

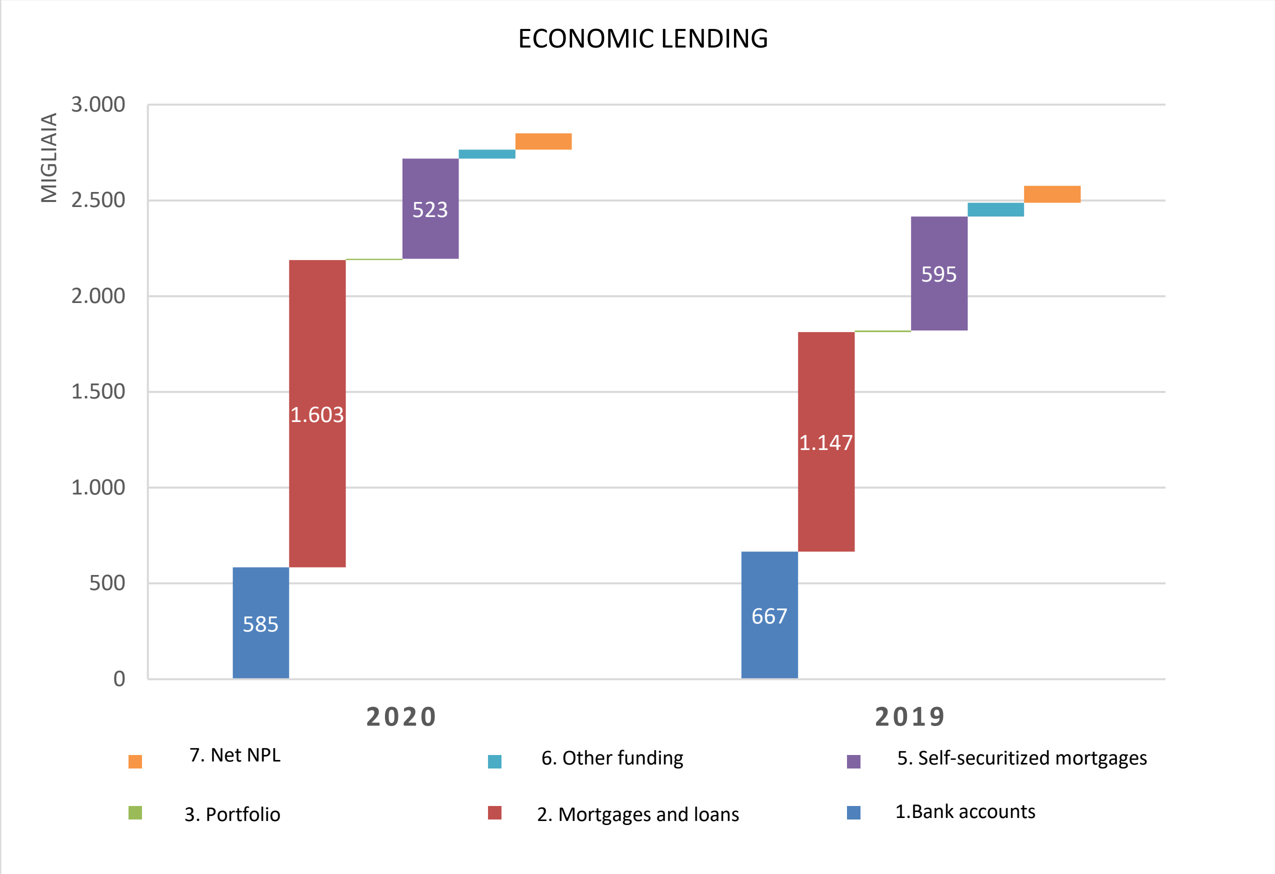
Lending

At the end of December 2020, receivables from customers, net of doubtful loans, amounted to 2,812 million euro , an increase of 245 million euro with respect to 2019 data (+9.96%).
Limiting the analysis to lending toward ordinary customers, the amount is 2,796 million euro with an increase of 276 million euro, equal to a 10.95% increase with respect to 2019.

Table 3 – Economic lending to customers

LENDING				
data in €/000				
Types of transactions/values	**31/12/2020**	**31/12/2019**	**Absolute Var.**	**%Var.**
1. Current accounts	584,556	666,773	-82,217	-12.33%
2. Mortgage loans and financing	1,603,234	1,146,581	456,653	39.83%
3. Portfolio	7,125	7,556	-431	-5.71%
4. Securitized mortgage loans	0	0	0	
5. Self-securitized mortgage loans	522,599	594,781	-72,182	-12.14%
6. Other financing	48,380	71,445	-23,066	-32.28%
7. Gross non-performing loans	174,662	171,904	2,758	1.60%
8. Write-downs on non-performing loans	-90,729	-82,616	-8,113	9.82%
9. Overall write-downs	-53,651	-56,317	2,666	-4.73%
Total ordinary net lending vs customers	**2,796,174**	**2,520,105**	**276,068**	**10.95%**
	15,660	27,834	-12,174	-43.74%
10. Receivables from Pontormo RMBS	302	490	-188	-38.31%
11. Receivables from Poste Italiane S.p.A.	706	9,566	-8,860	-92.62%
12. Receivables from ITALYN CIVIL CODE & G. Fund	0	0		
13. Receivables from Deposits and Loan Fund	**16,668**	**37,890**	**-21,222**	**-56.01%**
Total other net economic lending	**2,812,842**	**2,557,996**	**254,846**	**9.96%**
	280,384	368,943	-88,559	-24.00%
Total balance sheet item 40.b Receivables from customers	**3,093,225**	**2,926,938**	**166,287**	**5.68%**

Detailed data from the table above are illustrated in graph form below.



During 2020, interventions relating to lending were aimed to a great extent at supporting customers affected by the Covid-19 health emergency. Specifically, both in application of public measure dispositions (with specific reference to the national recovery decree called "Decreto Cura Italy" and the so-called Liquidity Decree and subsequent transpositions into Laws), and as a result of system-level agreements, protocols underwritten between ABI (Italian Bankers Association) and business association, consumers and associations. The Bank activated a detailed program in support of families, businesses and associations that included both loans with public guarantees (Central Guaranty Fund, ISMEA and SACE), and suspension interventions , pursuant to law, with respect to existing lending to families, businesses and associations.
Within this scope, starting March 2020, the Bank began a significant operation dedicated to its customers who requested to benefit from the possibility of suspending payments on mortgages and loans, with a corresponding extension of the expiry date equal to the suspension period. During the year, the offer of suspension measures was progressively adjusted to regulatory requirements and agreements between ABI and sector associations, underwritten by the Bank to guaranty its customers the highest degree of safeguarding. For families and individual customers were therefore permitted to suspend the entire first home mortgage payment instalments for up to 18 months, with the measure provided for by the so-called "Gasparrini Fund" that involves a federal intervention on a part of interest charged to customers, or to suspend only payment on principal for mortgages and loans for up to 12 months, by adhering to the measures provided for by the agreement between ABI and category association, active until 30 September 2020. Instead, businesses were permitted to suspend payment on principal for loans for up to 12 months, based on the measures provided for by the ABI Credit Agreement, while SME were also permitted to suspend the entire instalment up to 30 September 2020 based on the measure provided for by the so-called Decreto Cura Italia, subsequently extended to 31 January 2021, based on the August Law Decree and then again to 30 June 2021, within the Budget Law for 2021.

The Bank also proposed specific solutions of its own initiative to customers who did not possess the requirements to access the above-mentioned measures; as at year's end, the volume of these operations amounts to € 1,286,254. All the initiatives described above did not entail fees or additional costs charged to customers.

The Table below summarised the data regarding the measures described above:

Type of moratoria	Amount as at 31/12/2020
ABI CONSUMERS Agreement	82,101,476
ABI SME Agreement	78,299,090
Art. 54 D.L. n. 18/2020 (converted with L. n. 27/2020)	7,771,889
Art. 56, co. 2, lett. c) D.L. n. 18/2020 (converted with L. n. 27/2020)	337,779,400
Art. 56, co. 2, lett. b) D.L. n. 18/2020 (converted with L. n. 27/2020)	26,417,556
Bank initiatives	1,286,254
Total	**533,655,663**

The Table below shows funding activated within the scope of public guarantees (in the measure of 80, 90or 100%) established in the emergency legislative measures:

Type of funding	Number of loans	Overall amount
PN505-Art.13 m) Funding € 25mila	2,323	46,516,898
PN506-Art.13 c) New guar. funding 90%	209	71,196,421
PN507-Art.13 d) New guar. Funding 100%	1	25,000
PN508-Art.13 e) Renegotiated loans	60	11,915,397
PN509-Art.13 n) Funding € 800mila	3	612,000
PN515-ISMEA-Art.13 m) Funding € 25mila	34	655,518
PN516-ISMEA-Art.13 c New guar. Funding 90%	2	174,160
PN525-Legge 40-art.13 m) Funding € 30mila	564	9,920,272
PN526-Legge 40-art.13 c) New guar. Funding 90%	447	112,285,998
PN527-Legge 40-art.13 d) New guar. Funding 100%	11	3,312,654
PN528-Legge 40-art.13 e Renegotiated loans	259	58,064,082
PN529-Legge 40-art.13 n) Funding € 800mila	2	315,000
PN530-8anni L.40-art.13 m) Funding € 30mila	70	1,380,749
PN531-10anni L.40-art.13 m) Funding € 30mila	421	9,346,532
PN535-ISMEA-Legge 40-art.13 m) Funding € 30mila	43	711,553
PN536-ISMEA-Legge 40-art.13 c) New guar. Funding 90%	6	1,077,500
PN538-ISMEA-Legge 40-art.13 e) Renegotiated loans	2	195,000
PN540-ISMEA-8anniL.40-art.13 m) Funding € 30mila	4	81,800
PN541-ISMEA-10anni L.40-art.13 m) Funding € 30mila	19	312,100
PN550-Legge 40-art.1 SACE Guaranty	3	2,912,699
Overall totals	**4,483**	**331,011,333**

At the end of March 2021, the overall amount of funding relative to the Covid-19 emergency reached 407 million euro, for over 5 thousand relationships.
At 31 December 2020, the indicator for lending on overall direct deposits was equal to 98,46%, a strong increase with respect to the 2019 value (86.85%), due to the combined effect of the suspension of reimbursements of instalments and the new loans granted against public guaranty.

During 2020, the Bank continued its policy of ensuring loans to businesses and families in the territory of reference, in order to both contribute to supporting development and to keep the savings generated in the area. The Bank also continued credit al location activities, reinforcing agreements with the main Credit Consortia in the areas of reference, and further developing collaborations with local associations. Worthy of note is the agreement undersigned in the month of March 2021 with the EIF – European Investments Fund, which, based on the positive long standing collaboration with the Bank, endorsed a line of guarantees of various types, up to 110 million destined to financially supporting micro, small and medium businesses. A significant confirmation of the confidence in the productive fabric that characterises our business.

Credit quality

The current economic scenario is fragile, and prospects are not easy to interpret; particular attention must therefore be given to credit risk monitoring measures, during both the granting stage and the management and control activities.

The actions undertaken by the Bank's management, with the support of the special "*NPL area*" on credit quality profiles, find their pay-back in the improvement recorded by the principal segment indicators and trends for credit quality, even as compared to banking system averages.

The tables that follow illustrate the data regarding receivables from customers subdivided by category and specifying, for each, the gross value, the overall adjustments, the net value and the hedging, as well as a series of indicators intended to provide a summary representation of the quality of credit:

Table 4 – Credit exposure towards customers– gross values and overall adjustments

CREDIT QUALITY – VALUES AT 31/12/2020				
	Gross exposure	Overall adjustments	Net exposure	Degree of coverage
CASH CREDIT EXPOSURES				
Stage 3 - Receivables from customers – NPL	174,662	90,729	83,932	51.95%
Stage 3 - Receivables from customers – UTP	89,055	26,760	62,295	30.05%
Stage 3 - Receivables from customers - past due	3,112	580	2,532	18.65%
Total impaired receivables	**266,829**	**118,070**	**148,759**	**44.25%**
Stage 2 - Receivables from customers	241,172	16,276	224,896	6.75%
Stage 1 - Receivables from customers	2,449,222	10,035	2,439,186	0.41%
Total in bonis receivables	**2,690,393**	**26,311**	**2,664,082**	**0.98%**
Total receivables from customers	**2,957,222**	**144,381**	**2,812,842**	**4.88%**
Stage 1 – Securities	280,448	64	280,384	0.02%
Total cash credit exposures	**3,237,670**	**144,445**	**3,093,225**	**4.46%**

Table 5 – Credit quality indexes

CREDIT QUALITY INDEXES			
	31/12/2020	31/12/2019	Delta
% OF NET RECEIVABLES			
% Net non-performing loans on total net receivables	2.98%	3.49%	-0.51%
% Net watchlist on total net receivables	2.21%	3.09%	-0.88%
% Gross overdue/overdrawn accounts on total net receivables	0.09%	0.33%	-0.24%
% Total net impaired receivables on total net receivables	5.29%	6.91%	-1.62%
% OF GROSS RECEIVABLES			
% Gross non-performing loans on total gross receivables	5.91%	6.37%	-0.47%
% Gross watchlist on total gross receivables	3.01%	4.57%	-1.55%
% Gross overdue/overdrawn accounts on total gross receivables	0.11%	0.36%	-0.25%
% Total impaired receivables on total gross receivables	9.02%	11.30%	-2.27%
% OF HEDGES			
% Hedges on non-performing loans	51.95%	48.06%	3.89%
% Hedges on other impaired receivables	29.66%	34.16%	-4.50%
% Hedges on total impaired receivables	44.25%	42.00%	2.25%
% Hedges on receivables in bonis	0.98%	0.46%	0.52%

A further reduction in the volume of net impaired receivables is recorded, dropping from 305 million at end of 2019 to 267 million at end of 2020. The result achieved in 2020, allows the indicator that measures the risk level of the credit portfolio to show a gross level of 9.02%, which, net of allocations corresponds to a value of 5.29%. The Bank is therefore nearing its target values.

Thanks to an incisive impaired receivables management policy, during 2020 the Bank registered a further reduction in the volumes of non-performing loans thanks to recoveries/extinctions and to some transfers of individual positions.

The percent of hedging on impaired receivables at the end of 2020 was 44.25%, as compared to 42.00% of the previous financial period.

It goes without saying that appropriate activities will accompany the evolution of this compartment, also based on a probable review of NPL management policies at a European Community level, due to the effects of the Covid-19 health crisis.

At the end of 2020, a first operation to transfer stage 3 UTP receivables other than NPLs into a special reserve, with a view to downsizing the problem loan portfolio. This operation allowed for a reduction of about 9.2 million of GBV with a transfer value of about 6.5 million euro, equal to 71%.

Property, plants and equipment and intangible assets

In 2020, property, plants and equipment and intangible assets recorded a 2.49% reduction deriving from ordinary amortization and depreciation. The growth recorded in 2019 was essentially due to the application of the new IFRS16 (FTA) accounting principle, within the scope of which user rights connected to leasing contracts were booked under the item “Other tangible assets” for € 16.4 million euro. IFRS 16 revised the way in which businesses book leasing contracts, in fact requiring that all leasing contracts be booked in the balance sheet of the lessee as assets and liabilities, eliminating, for all intents and purposes, the accounting differences between operating leases and finance leases provided for by the principles previously in force.

As regards intangible assets, residual goodwill items were zeroed, as a result of the internal policy designed to reduce the booking item in question, due to the datedness of the entry, taking into account the market trend which no longer intends to recognize goodwill relating to the purchase of bank branches. Specifically, the reduction of residual goodwill for purchased bank branches was equal to 3.1 million euro. In this evaluation, as set forth in part A.2 – PART RELATIVE TO THE PRINCIPLE BALANCE SHEET ITEMS – Other information – Information regarding impairment test on goodwill, to which we beg you refer, the Bank has taken into account the current market context that continues to be decidedly affected by the evolution recorded during the health emergency due to the spreading of Covid-19. The pandemic, officially declared at a national level starting 31 January 2020, continues to strongly impact the various economic and financial systems and forecasts regarding future trends of the principle economic variables are being constantly updated in the light of decisions made by Government Bodies at national and international levels, based on the extension of the pandemic itself. Additionally, the first end data regarding the effects that the pandemic has had on these passed months are starting to circulate; these are base data that are useful to elaborate forecasts on future trends for the principle macro-economic parameters. To date, a possible exit from the economic crises is entrusted to the capacity each country to overcome the health emergency with a widespread vaccination campaign, in order to guaranty sufficient coverage to allow slackening restrictive measures, with the aim of eventually and finally cancelling them completely. Nevertheless, there is still a certain degree of uncertainty as regards to the capacity of any single concrete measure that will be adopted to buffer those that may be permanent effects on the economical and social system caused by the emergency.

A synthesis of the above items is described in the table below.

Table 6 - Property, plants and equipment intangible assets

PROPERTY, PLANTS AND EQUIPMENT AND INTANGIBLE ASSETS			
data in €/000	**31/12/2020**	**31/12/2019**	**% variation**
Properties used in operations	41,575	42,325	-1.77%
Properties held for investment	0	0	
Other property, plants and equipment	29,897	30,971	-3.47%
Total property, plants and equipment	**71,472**	**73,296**	**-2.49%**
Goodwill	0	3,140	-100.00%
Other intangible assets	3,234	1,946	66.23%
Total intangible assets	**3.234**	**5.086**	**-36.41%**

Incidence of property, plants and equipment total assets	1.78%	1.93%	-0.15%
Incidence of intangible assets on total assets	0.08%	0.13%	-0.05%

Book shareholders' equity

At the end of 2020, book shareholders' equity was equal to € 198.4 million euro, higher than the € 181.6 million euro as at 31/12/2019, as illustrated in the table below. Due to the profit for the period used to reduce the reserve from FTA for the IFRS 9 accounting principle, equal to € 77.9 million euro booked in 2018, the calculation of which is connected to the strategic decisions to contain the weight of NPLs by transferring them to third parties. Another distinctive element was the first issue of a series of permanent debenture loans for € 10 million euro, classified in the item "Capital instruments".

Table 7 - Breakdown of statutory equity

BREAKDOWN OF STATUTORY EQUITY			
data in €/000	**31/12/2020**	**31/12/2019**	**% variation**
Capital	232,800	232,800	0.00%
Premiums on the issue of new shares	803	803	0.00%
Capital instruments	10,000	0	0.00%
Reserves	-53,795	-66,995	-19.70%
(Treasury shares)	0	0	0.00%
Valuation reserves	584	1,846	-68.38%
Profit (loss) for the fiscal year	8,100	13,200	-38.64%
Total shareholders' statutory equity	**198,492**	**181,655**	**9.27%**

	31/12/2020	**31/12/2019**	**% variation**
Shareholders' equity / Direct deposits ordinary customers	7.01%	7.01%	0.01%
Shareholders' equity / Receivables from ordinary customers	7.10%	7.21%	-0.11%
Shareholders' equity / Total assets	4.93%	4.77%	0.16%

Income trend

The 2020 fiscal year closed with a net profit of € 8.1 million euro. This result is noteworthy, considering the almost 29 million euro of value adjustments for credit risk.

The principle economic aggregates at 31 December 2020 are provided following, compared to 2019 data.

Interest income

Interest income for a total of 61,654 thousand euro showed a 2.57% growth with respect to 31 December 2019; the component referred to brokerage with customers remained substantially stable (-0.22%) as compared to the same period in 2019; the contribution of interest income from TLTRO transactions (3.947 million as compared to 1.936 in 2019) is significant; interest income from financial assets decreased by 10.73%, affected by the structure of interest rates that reached a historical low and by the cost of securities to be calculated in own means.

The above being stated, the table below shows the breakdown of interest income.

Table 8 - Interest income

	INTEREST INCOME			
	data in €/000	**31/12/2020**	**31/12/2019**	**% variation**
TOTAL	Earned interest and similar income	74,463	74,633	-0.23%
	Interest expenses and similar expenses	12,809	14,521	-11.79%
	Overall interest income	**61,654**	**60,112**	**2.57%**
with CUSTOMERS	Earned interest and similar income	66,165	66,842	-1.01%
	Interest expenses and similar expenses	6,556	7,100	-7.67%
	Interest income with customers	**59,609**	**59,742**	**-0.22%**

With BANKS	Earned interest and similar income	173	754	-77.07%
	Interest expenses and similar expenses	771	875	-11.91%
	Interest income the banking system	**-598**	**-121**	**395.70%**

On SECURITIES	Earned interest and similar income	3,468	4,150	-16.44%
	Interest expenses and similar expenses	4,800	5,643	-14.93%
	Interest income on Securities	**-1,332**	**-1,492**	**-10.73%**

OTHER	Earned interest and similar income	4,657	2,886	61.37%
	Interest expenses and similar expenses	683	903	-24.41%
	Residual interest income	**3,974**	**1,983**	**100.44%**

Commission income

Commission income was equal to 27,088 thousand euro and showed a limited variation of -3.06% despite the severe limitation of economic exchanges both during the lock-down stage and following the restrictions to economic activities ties to the spread of the pandemic.

Table 9 – Commission income

	COMMISSION INCOME			
	data in €/000	**31/12/2020**	**31/12/2019**	**% variation**
TOTAL	Commission income	29,826	30,768	-3.06%
	Commission expenses	-2,738	-2,705	1.22%
	Overall commission income	**27,088**	**28,063**	**-3.47%**
From management, brokerage and consulting services	Commission income	1,905	1,750	8.86%
	Commission expenses	-439	-350	25.61%
	Commission income	**1,465**	**1,400**	**4.68%**
From distribution of third party services	Commission income	3,682	3,895	-5.46%
	Commission income	**3,682**	**3,895**	**-5.46%**
From collection and payment services	Commission income	6,492	7,494	-13.37%
	Commission expenses	-1,594	-1,627	-2.04%
	Commission income	**4,898**	**5,867**	**-16.51%**
From other services	Commission income	17,747	17,629	0.67%
	Commission expenses	-704	-728	-3.23%
	Commission income	**17,042**	**16,901**	**0.84%**

Operating income

Operating income at 31 December 2020 was 100.8 million euro, increasing by almost 12% with respect to the previous fiscal year.

As shown in the table below, operating income is determined principally by the structural components of the banking profit and loss account: interest income and commission income. The contribution of the other two items is, instead, minimal, although higher than the previous fiscal year, with a greater contribution by the item “Dividends and similar income”. Trading remained stationary, while the component relating to from profits from the transfer of financial assets shows a considerable increase.

Table 10 - Operating income

OPERATING INCOME			
data in €/000	**31/12/2020**	**31/12/2019**	**% variation**
Overall interest income	**61,654**	**60,112**	**2.57%**
Overall commission income	**27,088**	**28,063**	**-3.47%**
Dividends and similar income	1,194	1,419	**-15.85%**
Net trading result	2,037	2,702	**-24.61%**
Net hedging result	-59	91	
Gains (losses) from the disposal or repurchase of:	8,974	-2,295	
a) financial assets measured at amortized cost	8,567	-2,402	
b) financial assets measured at fair value with impact on total profits	330	205	**60.79%**
c) financial liabilities	78	-98	**-179.01%**
Net income of other financial assets and liabilities measured at fair value with recognition of income effects through profit and loss	0	0	
a) financial assets and liabilities measured at fair value	0	0	
b) other financial assets obligatorily measured at fair value	0	0	
Operating income	**100,889**	**90,092**	**11.98%**

Net income from financial assets

Net income from financial assets decreased as compared to December 2019, amounting to 72 million euro, with a decrease of 7.5 million euro, but the cost of credit, and write-offs and allocations made to also take into account the current and forecasted effects of the pandemic, increased from approximately 11 to approximately 29 million euro.

Table 11 - Net income from financial assets

NET INCOME FROM FINANCIAL ASSETS			
data in €/000	**31/12/2020**	**31/12/2019**	**% variation**
Operating income	**100,889**	**90,092**	**11.98%**
Net adjustments/write-backs due to risk related to:	-28,856	-10,345	**178.95%**
a) financial assets measured at amortized cost	-28,965	-10,881	**166.20%**
b) financial assets measured at fair value with impact on total profits	108	536	**-79.82%**
Profit/losses due to contract modifications without derecognition	47	-226	**-120.76%**
Net income from financial assets	**72.079**	**79.521**	**-9,36%**

Operating costs

As regards operating costs, these increased by 2.59%. The cost saving activity, aimed at limiting cost items is under way and, in particular, among the initiatives identified for this purpose, please note: (i) the introduction of an optimized management of procurement; (ii) the rationalization and digitalization of main processes.

Table 12 - Operating costs

OPERATING COSTS			
data in €/000	31/12/2020	31/12/2019	% variation
Administrative costs:	61,034	60,881	0.25%
a) personnel costs	27,469	27,133	1.24%
b) other administrative costs	33,565	33,748	-0.54%
Net allocations to risk and expense funds	465	-170	-372.93%
Net adjustments/write-backs to property, plants and equipment	5,537	5,433	1.91%
Net adjustments/write-backs to intangible assets	609	289	110.34%
Other operating costs/income	-4,313	-4,699	-8.20%
Operating costs	**63,331**	**61,735**	**2.59%**

The cost/income indicator, in relation to the greater volume of the profit for the fiscal year, amounted to 62.77% against the 68.52% of the previous fiscal year.

On analyzing the costs in detail, it must be noted that those relating to direct management of the bank remained substantially stable, amounting to € 58.791 million in 2020, as compared to € 58.598 in 2019, while those imposed as contributions to the national resolution fund and the FITD increased to € 4.540 million euro for 2020 (in 2019 they amounted to 3.136 million euro and 1.415 million euro in 2018).

Table 13 - Table of costs for contributions to Interbank Funds

TABLE OF COSTS FOR CONTRIBUTIONS TO INTERBANK FUNDS					
DESCRIPTION	SPECIFICA	31/12/2020	31/12/2019	Value Differences	% variations
Contribution to National Resolution Fund	Ordinary	1,542,104	1,065,374	476,729	44.75%
Contribution to National Resolution Fund	Additional	487,137	390,110	97,027	24.87%
Contribution to National Resolution Fund	**Total**	**2,029,241**	**1,455,485**	**573,756**	**39.42%**
Contribution to FITD Fund	**Total**	**2,510,673**	**1,681,224**	**670,783**	**49.34%**
Operating costs		**4,539,914**	**3,136,709**	**1,244,540**	**44.73%**

Other income components

Among the other income components for the 2020 fiscal year, please note:

- Gains on shareholdings are essentially unvaried;
- The aforementioned adjustments on goodwill amounting to € 3.140 thousand that zeroed the corresponding item in the assets.

Fiscal year results

Gross results for the 2020 fiscal year amount to 5.9 million euro. Due to the effect of tax recoveries, the net fiscal year results amount to 8.1 million euro, equal to 169% as compare to 31 December 2019.

Table 14 - Fiscal year results

GROSS AND NET FISCAL YEAR RESULTS			
data in €/000	**31/12/2020**	**31/12/2019**	**% variation**
Profit (loss) on current operations before taxes	**5,914**	**16,353**	**-63.83%**
Fiscal year income tax on current operations	**-2,186**	**3,153**	**-169.31%**
Profit (loss) on current operations net of taxes	**8,100**	**13,200**	**-38.64%**

Capital adequacy and regulatory ratios

One of the main points of the Bank's strategy is the careful management of the capital components, both in terms of their consistency and other their dynamics. The evolution of company capital is crucial to accompany a responsible increase in size and represents the principle and decisive point of reference in the definition of plans for development. In this sense, starting in 2019, the Bank has formalized and adopted a Capital Management plan to cohesively govern and constantly verify current and prospected capital adequacy levels. The Plan was updated in the last meeting of the Board of Directors held on 30 December 2020. Capital adequacy management activities generate planned reports to company upper management, and are subject to systematic monitoring by the Risk Management function, as total own funds are a decisive reference for prudential supervisory dispositions. At December 2020, the capital position showed the following values, that are in line with Prudential requirements set forth by sector regulations.

Table 15 – Own funds and capital adequacy

OWN FUNDS AND CAPITAL ADEQUACY			
data in €/000	**31/12/2020**	**31/12/2019**	**% variation**
Total primary Tier 1 capital (Common Equity Tier 1 - CET1)	231,411	239,686	-3.45%
Total additional Tier 1 capital (Additional Tier 1 - AT1)	10,000	0	-
Total Tier 1 capital (Tier 1 - T1)	**241,411**	**239,686**	0.72%
Total Tier 2 capital (Tier 2 - T2)	**50,940**	**55,876**	-8.83%
Total own funds (T1 + T2)	**292,352**	**295,562**	**-1.09%**

PRUDENTIAL REQUIREMENTS			
data in €/000	**31/12/2020**	**31/12/2019**	**% variation**
Credit and counterparty risk	141,076	152,486	-7.48%
Credit valuation adjustment risk	25	8	n.s.
Market risk	3,217	3,035	5.98%
Operating risk	14,458	13,485	7.22%
Total prudential requirements (8% of risk-weighted activities)	**158,776**	**169,015**	**-6.06%**

RISK ACTIVITIES AND VIGILANCE COEFFICIENTS			
data in €/000	**31/12/2020**	**31/12/2019**	**% variation**
Risk-weighted activities (RWA)	1,984,701	2,112.687	-6.06%
Primary Tier 1 capital/ Risk-weighted activities (CET1 ratio)	11.67%	11.35%	2.82%
Tier 1 capital / Risk-weighted activities (Tier1 ratio)	12.18%	11.35%	7.31%
Own funds / Risk-weighted activities (Total capital ratio)	14.75%	13.99%	5.43%

Note: Balance sheet data referring to 31/12/2019 were re-aligned to Vigilance requirements.

Own funds at 31 December 2020 amounted to € 292.3 million, decreasingly slightly with respect to the previous fiscal year due to the combined effect of the following factors:

- The positive net result for the period;
- The diminished inclusion of tranches of subordinate loan, the overall amount of 57 million euro is in fact included in own funds for the amount of € 51.797 million;
- The increase from 15% to 30% of the reserves from FTA component for the year 2020;
- The issue, at the end of 2020, of permanent debenture bonds included in AT1 for 10 million euro (an additional € 5 million were issued at the end of March 2021).

The detail of debenture loans included, even only partially, in own funds is provided in the table below.

Table 16 – Schedule of bonds issued

BOND	DESCRIPTION	ISIN	EXPIRY DATE	AVERAGE RATE	AMOUNT
489001	CAMBIANO SUB 4,50% 20/12/19-24	IT0005396426	20/12/2024	4.50000	3,000,000
480001	CAMBIANO 18-25 4% SUB	IT0005337719	28/06/2025	4.00000	45,000,000
483001	CAMBIANO 19-29 4% SUB	IT0005371270	10/06/2029	4.00000	5,000,000
484001	CAMBIANO 19-29 SU SUB	IT0005376287	20/06/2029	4.50000	1,000,000
485001	CAMBIANO 19-29 4% SUB	IT0005385668	25/09/2029	4.00000	2,000,000
488001	CAMBIANO SU 05/12/19-29 SUB	IT0005391518	05/12/2029	4.50000	1,000,000
	TOTAL			**4.04386**	**57,000,000**

Table 17 – Schedule of permanent AT1 bonds issued

BOND	DESCRIPTION	ISIN	EXPIRY DATE	AVERAGE RATE	AMOUNT
During 2021					
498001	CAMBIANO PERPETUA AT1 498	IT0005439846	PERMANENT	5.00000	5,000,000
During 2020					
492001	CAMBIANO PERPETUA AT1 492	IT0005429375	PERMANENT	5.00000	3,500,000
494001	CAMBIANO PERPETUA AT1 494	IT0005429755	PERMANENT	4.75000	1,000,000
496001	CAMBIANO PERPETUA AT1 496	IT0005431777	PERMANENT	5.00000	500,000
497001	CAMBIANO PERPETUA AT1 497	IT0005432130	PERMANENT	5.00000	3,500,000
490001	CAMBIANO PERPETUA AT1 490	IT0005427023	PERMANENT	5.00000	1,500,000
	TOTAL			**4.98333**	**15,000,000**

CET1, Tier1 and Total capital ratios have increased, also due to the measures taken to optimize the composition of the Bank's assets in terms of capital absorption. At 31 December 2020, these indicators were higher than and compliant to the designated obligatory values.

Finally, please note that on 28 January 2020 the Gruppo Bancario Cambiano received notice of the "decision" regarding the capital requirement to be complied with, pursuant to the outcome of the Supervisory Review and Evaluation Process (SREP), starting from the report subsequent to the aforementioned notification (that is, the one referring to 31/03/2020). The overall capital requirement to be complied with is:

- CET 1 ratio equal to 7.70%, composed of an obligatory value of 5.20% (of which 4.50% for minimum regulatory requirements and 0.70% for minimum additional requirements resulting from the outcome of the SREP) and for the remaining part by the capital conservation reserve;
- Tier 1 ratio equal to 9.40%, composed of an obligatory value of 6.90% (of which 6.00% for minimum regulatory requirements and 0.90% minimum additional requirements resulting from the outcome of the SREP) and for the remaining part by the capital conservation reserve;
- Total Capital ratio equal to 11.75%, composed of an obligatory value of 9.25% (of which 8.00% for minimum regulatory requirements and 1.25% minimum additional requirements resulting from the outcome of the SREP) and for the remaining part by the capital conservation reserve.

The above capital ratios correspond to the Overall Capital Requirement ("OCR") ratios, as defined in the ABE/GL/2014/13(4) Guidelines: they represent the sum of obligatory values (Total SREP Capital Requirement ratio - TSCR, as defined in the ABE Guidelines) and the combined capital conservation requirement.

If one of the capital ratios drops below the OCR ratio, while remaining above the obligatory value (TSCR ratio), the Gruppo Bancario Cambiano will have to undertake the capital conservation measures provided for by current regulations.

If one of the ratios drops below the obligatory value, the same Gruppo Bancario Cambiano will have to implement measures to immediately raise the ratio to values higher than the obligatory value.

To ensure compliance with the obligatory values even in the event of worsening of the economic and financial context, Bank of Italy has also defined the following capital levels, which Gruppo Bancario Cambiano is required to maintain over time:

- (CET 1 ratio): 8.20%, composed of a CET1 OCR CET1 ratio equal to 7.70% and a Target Component (Pillar 2 Guidance, P2G), due to a greater risk exposure in stress conditions, equal to 0.50%;
- Tier 1 ratio: 9.90%, composed of a T1 OCR ratio equal to 9.40% and a Target Component, due to a greater risk exposure in stress conditions, equal to 0.50%;
- Total Capital ratio: 12.25%, composed of a TC OCR ratio equal to 11.75% and a Target Component, due to a greater risk exposure in stress conditions, equal to 0.50%.

These latter capital levels represent an expectation of the Supervisory Authority regarding the holding of additional resources by Gruppo Bancario Cambiano.

Following the pandemic emergency, the European Parliament and the Council adopted Regulation (EU) 2020/873 dated 24 June 2020, that amends Regulation (EU) n. 575/2013 (CRR) and Regulation (EU) 2019/876 (CRR2), introducing a series of adjustments to the prudential framework of reference, in light of the health emergency caused by the virus called "Covid-19".

The amendments that were introduced to the Regulation aim at preserving the solidity of banking institutions and reinforcing their capacity to finance the real economy, channelling liquidity towards families and businesses; these measures are part of the broader framework of measures adopted prudentially, in several respects, by international organisms, Community institutions and the individual national governments, in response to the consequences of the "Covid-19 Pandemic". The principle amendments introduced in Regulation (EU) 2020/873, in effect starting 27 June 2020, that impact the Bank, are:

- Change to the transitional system of IFRS9 introduced by Regulation (EU) 2017/2395, in order to allow institutions to momentarily mitigate the effects on CET1 caused by the increase of allocations for expected losses on receivables deriving from the economic repercussions of the Covid-19 health emergency on the creditworthiness of financial subjects;

- Change to the governing of the calendar provisioning defined by Regulation (EU) 2019/630, in order to line up the treatment of impaired exposures backed by public guarantees or co-guarantees granted by individual national governments (for example with the so-called “Cura Italy” Law Decree and with the so-called “Liquidity” Law Decree as regards Italy) to that reserved to impaired exposures guaranteed or backed by official agencies for export credit, so that for the first seven years there will be no minimum level of allocation on the part backed by guarantee;
- Provisions regarding own funds, in order to momentarily restore a prudential filter that can mitigate the effect on regulatory capital of unrealized losses from public debt securities caused by the extreme volatility of markets resulting from the spread of Covid-19;
- Changes to credit risk provisions, anticipating by one year the first application of CRR2 forecasts, that provide for a favourable prudential treatment within the scope of the standardized method, to exposures deriving from salary-backed or pension-backed loans, loans to SMEs and from loans to subjects that manage infra-structural projects.

Considering the mitigation measures and the period of unique uncertainty due to the pandemic, in march 2020, the Bank decided to opt for the new dynamic system (new par. 6 bis of art. 473 bis of the CRR) to be integrated into the static system already opted for (par. 6 of art. 473 bis of the CRR).

On this matter, on 31/12/2020 a specific request was submitted to the Supervisory Body for authorization to apply the transitory provisions as per article 473 bis of the CRR, according to the system outlined by paragraph 6 bis for the dynamic component; the request was subsequently updated on 15/01/2021.

With an Order issued 24/03/2021, the Supervisory Body authorized Gruppo Bancario Cambiano to wholly apply the transitory provisions relating to IFRS 9 as provided for by art. 473 bis of the CRR, as amended by Regulation (EU) 873/2020, starting from the supervisory reports with a date of reference subsequent to the date of notification of the same order (that is, reports referring to 31/03/2021).

On 14/08/2020, the Bank also informed the Supervisory Body of the intention, at both an individual and consolidated level, of taking advantage of the temporary treatment of excluding from CET1 calculation, unrealized profits and losses measured at fair value recognised in the other components of the overall profit and loss account as per article 468 of Regulation (EU) n. 575/2013 (CRR), as amended by Regulation (EU) 2020/873 dated 26.06.2020, starting from the Supervisory Reports referring to 30.09.2020, according to the percent values therein provided for (100% for the 2020 fiscal year, 70% for the 2021 fiscal year and 40% for the 2022 fiscal year).

The above being said, during the next fiscal years, Cambiano intends to strengthen Own funds so as to stabilize capital adequacy ratios, over a five year-period.

Operating structure

Human resources

As at December 2020, the number of Bank employees was unvaried compared to the end of the previous fiscal year.

Data regarding personnel show:

- The following subdivision by employment level: 0.8% upper management, 21.9% middle management, 77.3% employees in other professional areas;
- A significant presence of female employees, with an incidence of 36.2%, as compared to 34.4% in 2019, constantly growing over recent years, both in terms of number and in important functional and hierarchical positions;
- An increasing number of university graduates, equal to 46.2%, which confirms the trend of employing qualified resources; in 2019, 2018 and 2017 this datum was respectively 44.9%, 42.3% and 41.6%);
- An average age between 36-45 years.

Table 18 – Breakdown of personnel

BREAKDOWN OF PERSONNEL			
BREAKDOWN BY QUALIFICATION	**31/12/2020**	**31/12/2019**	**Variation**
Upper management	3	3	0
Middle management	86	84	2
Professional areas	294	293	1
Apprenticeships	9	12	-3
Total	**392**	**392**	0
BREAKDOWN BY GENDER	**31/12/2020**	**31/12/2019**	**Variation**
Women	142	135	7
Men	250	257	-7
Total	**392**	**392**	0
BREAKDOWN BY LEVEL OF EDUCATION	**31/12/2020**	**31/12/2019**	**Variation**
University Degree	181	176	5
Secondary school Diploma	202	206	-4
Other	9	10	-1
Total	**392**	**392**	**0**
BREAKDOWN BY AGE BRACKET	**31/12/2020**	**31/12/2019**	**Variation**
Up to 25 years	14	18	-4
26 - 35 years	116	111	5
36 - 45 years	101	110	-9
46 - 55 years	109	109	0
56 - 60 years	34	27	7
Over 60 years	18	17	1
Total	**392**	**392**	0
BREAKDOWN BY LENGTH OF SERVICE	**31/12/2020**	**31/12/2019**	**Variation**
Up to 3 years	73	83	-10
4 - 8 years	61	74	-13
9 - 15 years	125	111	14
16 - 25 years	88	80	8
26 - 30 years	25	27	-2
over 30 years	20	17	3
Total	**392**	**392**	0
FUNCTIONAL DISTRIBUTION	**31/12/2020**	**31/12/2019**	**Variation**
Central offices	137	131	6
Network	255	261	-6
Total	**392**	**392**	0

The Training Plan for 2020 was prepared based first of all on regulatory requirements, and then focusing on important interventions regarding the need for human resource development that is coherent with the strategic plan. Specifically, training was conducted with the objective of aligning current competencies to the strategic competencies identified in the plan and required by the market; sharing company know-how to reach cohesion in conduct and sharing company values and objectives.

Training activities for commercial network personnel were mostly centred on updates regarding the Investment and Insurance sector, in line with IVASS and CONSOB, MiFID II regulations, insurance distribution, anti-money laundering, privacy, etc., as well as in broader training regarding changes in organisational processes, functional improvement and development of human resources. During 2020, the training process structured within the Bank totalled 9000 hours of training, equal to 22.3 days/person, mostly on-line or in video-conference mode given the emergency period, nevertheless attesting to the considerable investment made by the Bank.

The training programs focused on regulatory issues, in order to draw personnel attention to the correct application of operative regulations and scrupulous compliance with provisions regarding safeguarding customer interests.

Personnel employed in the main offices also actively participated in training courses organized both by the Cabel Network and other qualified external training agencies and other associated structures, specifically at the ABI, regarding various aspects of banking activities (taxation, accounting, financial, legal, anti-money laundering, etc.).

The Bank's philosophy is centred on creating relations based on solid trust, which is essential to long-lasting employment relationships, therefore human resources constitute a distinctive and qualifying feature that has always characterized the Bank business.

The care that the Bank dedicates to its collaborators is correlated to the commitment that they themselves show in carrying on their work and to their sense of belonging. Human resource management and development activities therefore continue to be a priority in strategic and operational planning, with the aim of enhancing the Bank's unique relational qualities.

Organisational model

In 2020, albeit affected by the pandemic, the Bank continued with its *modus operandi,* aiming to consolidate its ties to the local community, by enhancing the network of branches. The branches, although re-organised based on the various types of local markets, will remain the fulcrum of our way of performing our local banking business, as we firmly believe that for a bank such as ours, direct contact with customers is the cornerstone on which to found, develop and strengthen customer relations. New technologies must not reduce human sensitivity so much as to prevail even in banking activities, running the risk of depersonalizing contacts, which is the result of passively adapting to the use of the overpowering, albeit positive, innovations introduced by constantly renewed technologies.

Our branches are driving forces of contacts and interpersonal relations, managed in a transparent manner and with a simple vocabulary. These are the elements at the base of initiatives aimed at searching for, nurturing, providing assistance and consultancy for new customers selected based on quality and moral fibre or attracted by the positive word of mouth that characterizes our customer satisfaction levels.

Other organisational interventions involved reviewing the company staff composition in order to adapt it constantly to operational requirements, and remain compliant to regulatory dispositions. Below are the main changes that have been made:

- Creation of the Cost Management Function, within the staff of the Managing Director. The head of this function, who must possess adequate professional skills, will be tasked with "rooting" the function by setting up the respective operating processes and implementing appropriate management tools.
- Creation of the Credits Department: the role of the Credits Department has been redefined (previously called the Business Office). This department re-unifies the entire internal credit sector, previously subdivided – also in terms of organisation location – over multiple hierarchical levels. The entire internal credit sector has therefore been unified into two Areas: the " Credit Area" – in turn subdivided into the Credit Line Resolution, Appraisal and Secretary Services offices and the "Problem Loans Area " – which control the "Problem Loan Management ", "Disputes Management" and "Special Administration Positions" offices; the Credits Department also comprises a "Credit Control " office and an Early Management office.
- Creation of the Business Affairs Department: the name of the previously called Commercial Department has been changed to Business Affairs Department. The Finance Area has been moved into this Department from its previous location in the Commercial Department. The Treasury and Own Portfolio Office has also been located within this organisational structure. The Business Affair Department therefore supervises management of Finance and Foreign Affairs, commercial development, product innovation and development and the Network of Branches. Within the scope of this Area, the Product Manager Office has been created, where personnel will be tasked with operational follow-up on the various products marketed by the Bank.
- Creation of the Credit Committee, composed of the Managing Director and the two Vice Managing Directors, tasked with ensuring the strategic compliance of decisions made regarding credit risks and monitoring the Bank's overall credit risk exposure. For this purpose, the Committee, within the limits of mandated powers, passes resolution on proposals falling within the scope of its competencies; provides opinions regarding credit granting, including status classifications, competence of the Board of Directors, and provides consulting and advisory support to the Board of Directors in the analysis and monitoring of the Bank's credit risk exposure. The General Management Committee remains active with respect to all remaining operational areas provided for by company regulations.

Research and development activities

Product development and innovation activities aimed at improving and rationalizing operational efficacy and efficiency, in terms of both business processes for customers and internal organisational processes, continued in 2020.

The Bank concentrates its innovation activities within the scope of new products and distribution channel and technological updating first and foremost through the support of the IT outsourcer, Cabel Industry. The Organisation Office and the CED-IT Office handle relations with the IT outsourcer with the aim of constantly increasing the control over risks associated to outsourced management of the IT system and guaranty the conditions required to maintain service levels compliant to Bank requirements, over time. More specifically, within the scope of the project planning process, the creation of applications tied to business evolution needs is monitored, and an active role is playing in the procedure testing stage. These activities are combined with IT security monitoring, for data access control and, more in general, to manage and develop application and safeguard operational continuity.

The principle interventions executed by the Bank during 2020, also with the support of the IT outsourcers, Cabel, were customer-oriented, simultaneously pursuing objective to improve operational efficiency and comply with regulatory and security requirements.

Below is a summary of the principle business and regulatory interventions .

- **E-money:** during 2020, in order to meet market needs, the Bank included international debit cards in its product offer to both private and business customers, in a servicing agreement with NEXI, which also provide greater safety in terms of fraud management. As regards the Strong Customer Authentication system, the new access and instruction modes on home banking channels (MITO and MITO & C.) have been completed.

  During 2020, the Bank launched the new "PagoPA" service for payments to Public Administration offices. In fact, Public Administrations (PA) and all entities specified in art. 2 of the Italian Administration Code (CAD), as per Italian Legislative Decree 82/2005, were obliged to connect to the payment node by 28 February 2021, by means of an accredited technological partner, in order to allow for the PagoPA service. This service allows paying Public Administration offices and entities in a standardized manner, through participating Payment Service Providers (PSP). Payments may be made directly on site or on the mobile app of the Public Administration or through the in-person or online channels of banks and other Payment Service Providers (PSP).

  An agreement was underwritten with Satispay IMEL to promote mobile payment services, with an offer addressed to both business customers (Satispay Business) and consumer customers (Satispay Consumer), using a technology that allows consumer customers to instruct payment transactions through personal mobile devices and business customers to collect payments instructed through mobile devices (tablets, smartphones, PCs) or structured cash points.

  The test to activate the instant bank transfer service called "SCT Instant Payment" on the home banking platform and from tellers are currently being completed.

- **Finance and insurance**: please note that the creation of the new FIDA platform, that aims to offer customers an improved consulting service, facilitating consultant operations, is currently being completed. The new platform continues to be compliant to MIFID2 obligations, meeting requirements regarding the adequacy and appropriateness of investments defined by customer responses to Mifid questionnaires. As regards the IDD2 regulations, the secondary regulatory provisions issued by Ivass and Consob in July and August 2020, entail the entry into force starting 31 March 2021 of a series of requirements mainly related to transparency and pre-contract information, adequacy/appropriateness of insurance investment products (IBIP), the evaluation of customer needs in terms of Demand and Needs for NON IBIPS products, and Product Oversight Governance to identify the market of reference, the distribution strategy and the documentation for adopted overview measures.

- **Credit**: during 2020, the credit compartment was characterized by the implementation of interventions in support of the economy, deriving from credit facilities issued following the health emergency: suspension of instalments for instalment loans both for businesses and for consumers, suspension of expiry terms regarding negotiable instruments, funding for advance payment on CIG.

  As regards mortgage loans, the Bank adopted the method of stipulation also through a unilateral deed on the line already applied and verified bank-wise. This method avoids the need for the simultaneous presence of the bank representative and the customer on stipulation of the mortgage loan agreement at the Notary's office, that provides significant savings in terms of time and, especially during this period, complies with social distancing measures due to the health emergency.

- **Internal processes:** during the year, projects aimed at increasing the efficiency of work support processes were implemented. These include:

- a platform for process automation that allows creating a workflow for the unified management of tasks and processes, thereby increasing efficiency. Currently, the processes being executed in this mode are: transfer of payment accounts, tax bonuses, foreign and urgent bank transfers;
- the Box platform, for both branches and management offices, that allows managing files and folders on a cloud server. This provides greater safety for files, with advanced threat detection systems;
- for branches, the Citrix application that allows access to a virtual desktop with personal credentials from any work station;
- application to manage meetings of corporate bodies to convene the meeting and upload information, and subsequently allow authorized members to consult the information;
- procedure (Spunta Banca DLT) for reconcilement of correspondent bank accounts in blockchain. This project was promoted by ABI in collaboration with NTT Data, SIA and R3 (Corda platform).

CAs regards regulatory compliance, please note, among others, the following actions:

- compliance of internal regulations to the various measures related to the COVID contagion;
- progressive updating of contracts and forms to progressive changes in regulations;
- the rafting of the descriptive document regarding obligations to safeguard customer assets and the relative regulations;
- rafting of the new MiFID II profiling questionnaire currently in the testing stage;
- compliance to the new default definitions effective starting 1 January 2021;
- launching of the project to comply with Directive provisions regarding reporting of cross-border taxation mechanisms– DAC 6;
- creation of the new information and summary document on expenses (so-called “FID” or “SOF”), required by the PAD (Payment Account Directive);
- completion of compliance to the Fourth Anti-Money Laundering Directive regarding adequate customer verification.

The IT system constitutes a fundamental element of the Bank’s organisational design, in that it *(i)* conditions strategic choices in terms of products/services to be offered to customers and in terms of efficiency of operational processes, *(ii)* favours sound and prudent management insofar as it can provide timely and accurate information regarding technical management coordinates and risk management, *(iii)* contributes to limiting operational and compliance risks. The Bank employs the outsourcer, Cabel Industry, to fully manage software and hardware components and facility management services, application management and BPO services. On this matter, please note that the Bank, in light of its share holding, is in a position to provide a significant contribution to the outsourcer’s strategic determinations.

Research and development activities

Given the nature of the banking business, research and development activities are primarily aimed at studying the possible application of technological innovations to customer relations, to improve and/or broaden the product/service offering, to simplify and improve the efficiency of internal company processes or for the purpose of regulatory compliance.

The Bank’s research and development activities are aimed at consolidating its market presence through appropriate business initiatives with a strong focus on innovative components and technological support, without neglecting an ongoing improvement of corporate risk management components and the creation of activities aimed at compliance with the regulatory framework.

The development plans defined and implemented both through internal actions and interaction with the Cabel network have proven significant. Activities carried out with the participation, also within the offices of the Italian Banking Association, in work seminars such as ABILAB and conferences to study specific technical and organisational issues have also been intense.

It is the Bank's firm belief, supported by facts, that only through interaction and exchange with other business may we consolidate our own experience and increase our professional skills, as a solid base for conscientious corporate growth.

Risk management and control

In line with it business and operational model, the Bank is exposed to various types of risks that principally regard traditional loan and financial brokerage operations.

The overall risk management system, in compliance with prudential vigilance regulatory principles, aims at ensuring that all the risks incurred in the various business segments are in line with corporate strategies and policies, as well as based on principles of sound and prudential management.

The primary responsibility for the risk management system, within a broader reference framework that regards the entire Internal Controls Systems, lies with Corporate Functions, each based on its respective competencies.

The Internal Controls System comprises the rules, functions, resources and processes that are aimed at ensuring: *i)* that the following objectives are met: verification that company strategies are implemented; *ii)* that risks are contained and mitigated within the scope of overall risk propensity approved by corporate functions (Risk Appetite Framework– RAF); *iii)* the efficacy and efficiency of company processes and information reliability and safety; *iv)* conformity of operations with current laws in force.

From an organisational point of view, the Bank's Internal Controls System is composed of: a) all the II level control functions, *Risk Management, Compliance and Anti-Money Laundering*, responsible for monitoring and management of the Bank's risk profile; b) the Risk Committee, to which all the activities and responsibilities pursuant to Circular 285/2013 are assigned; c) the company Meta srl, which, based on a co-sourcing agreement, integrates the competencies of the Compliance functions and carries out the audits for the parent company. The Internal Interface is responsible for so-called intelligent interface for the outsourcer and, specifically, identifies the audit plan, monitors activities and evacuate the reports, in relation to the responsibility profiles of the internal audit functions, for supporting the parent company in the exercise of its control activities, verifying compliance with expected services levels, monitoring and managing the risks associated to outsourcing; d) the company Meta srl also integrates the competencies of the Compliance functions and carries out the audits on behalf of the parent company, based on a co-sourcing agreement.

The Bank's Risk Management Function continued risk management and control activities for Cabel Leasing Spa, in compliance with the contents of the vigilance regulations set forth in Circular 285/2013 on the matter or outsourcing company control functions within a Bank Group.

The primary aim of centralizing the risk management activities within the Bank was to promote the adoption of shared risk detection, measurement and control methods and to favour information exchanges for integrated risk monitoring.

Corporate bodies, governance committees, upper management and the entire staff are all involved in control activities, in order to fully implement an integrated risk management system that is consistent with the business model of reference and with the risk propensity and tolerance objectives defined in the strategic plan and in the yearly budget.

The risk profile is periodically monitored and reported to the corporate bodies by the competent functions, for timely identification of possible critical points and implementation of appropriate corrective actions.

In addition, to support Corporate Bodies in the autonomous assessment of capital adequacy and current and prospective liquidity (ICAAP and ILAAP), the Risk Management function, that is organisationally separate and independent with respect to operational units designated to risk assumption, ensures the correct implementation of processes regarding:

- Risk management, intended as the process for risk identification, monitoring, measurement, reporting, control and mitigation;
- Monitoring of the evolution of corporate risks and compliance with operational limits.

Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP)

In compliance with prudential vigilance provisions for banks (Bank of Italy Circular n. 285, CRR, CRD), the Bank performs an annual prudential internal audit (Internal Capital Adequacy Assessment Process – ICAAP and Internal Liquidity Adequacy Assessment Process) to determine and self-assess capital adequacy and liquidity, both current and prospective, in relation to current risks and all corporate strategies.

Credit risk

Considering that the Bank is, by its nature, a commercial bank, credit policies are aimed at supporting the local economy, families, businesses, professionals and small and medium sized enterprises.

Consequently, the Bank's credit policy is aimed at creating stable relations with customers, with a long-term view, striving to provide relationship continuity and based on an ongoing exchange of quantitative and qualitative information to be provided and managed in a structured manner.

Credit represents the most significant of all company components and credit risk constitutes the most significant source of risk for the Bank's business.

Credit risk represents potential loss deriving from variations in customer income capacity and capital capacity, occurring subsequent to financing by the Bank, such that the customer is no longer able to meet contract obligations within contract terms. Insolvency, but also the impairment of creditworthiness, are considered manifestations of credit risk.

In granting credit, the Bank's guidelines, considered essential to the correct management of its credit portfolio, are to spread credit risk across a multiplicity of subjects (private individuals and businesses) operating in various business sectors and in different market segments and the congruity of each loan in function of both customer creditworthiness and the technical form of the transaction, taking into account the collateral guarantees that may be obtained.

In fact, to mitigate credit risk, during the loan negotiation, guarantees are required and are verified periodically.

Using specific structures, procedures and instruments for credit risk management and control, the Bank constantly monitors the evolution of doubtful debts – considered as a whole or as single components – and their incidence on total cash borrowings and guarantees.

For further information regarding the Bank's credit risk and relative management policies, please see Part E of the Explanatory Notes.

Market risk

The control system implemented by the Bank, in compliance with the provisions of current prudential regulations, is aimed at sound and prudent management of market risks, ensuring that these risks are correctly identified and measured using formalized methods and procedures.

The Bank has identified a series of risk indicators capable of identifying the main aspects that characterize market risks.

The primary activity of the bank is trading financial instruments exposed to interest rate risk. Trading regards prevalently operations involving bonds.

As regards interest rate risk and price risk management procedures and measurement methods, the Bank has developed the Finance Area Regulations that establish both operating limits (both in terms of portfolio value as well as in terms of the breakdown by type of security) and limits for exposure to interest rate risk (in terms of financial duration).

Interest rate risk mitigation is pursued by means of integrated management of bank assets and liabilities and is aimed at stabilizing interest income and safeguarding the economic value of the bank portfolio.

Operational risk

The main sources of operational risk derive from internal fraud, external fraud, employment relationships and on the job safety, professional obligations towards customers, damage from external events, malfunctioning of information technology systems and the execution, delivery and management of processes.

In order to monitor the possible occurrence of operational risks, the Bank has defined and constantly updated:

- the “Operational Continuity Plan”, aimed at protecting the Bank from critical events that may compromise operations;
- mapping of the main operating processes (credit, finance and teller) with the aim of levelling operator behaviour, thereby facilitating the integration of controls.

Particular attention was focused on information technology risks, which are, by definition, included among operational risks, by setting forth regulations and processes for the identification, assessment and limitation of events originating from, or that could originate from, malfunctioning information technology procedures and/or electronic equipment, such as, for example, network crashes, unavailability of internet banking, and imprecise applications for branch operations.

Finally, within the scope of actions implemented in order to ensure full compliance with the new Bank of Italy regulations provided for in Circular 285, the Bank has undertaken important initiatives connected to completing transposition within organisational profiles and internal regulations of the references contained in Chapter IV – Corporate government, internal controls, management risks, Chapter 4 (information system) and 5 (business continuity) of the aforementioned new regulations.

Within this scope, the Bank, acknowledging the importance of managing information technology risks as a tool to guaranty the efficacy and efficiency of measures aimed at safeguarding the Bank’s own information technology systems, has defined, in accordance with the results of the project elaborated within the Cable network and in compliance regulatory principles and provisions currently in force, a method for the analysis of information technology risks and the relative management process that hinges on the Bank’s broader risk management system.

Liquidity risk

In compliance with regulations currently in force (Bank of Italy Circular 285/2013), the Bank has set up an adequate liquidity risk governance and management system, with specific processes to measure, control and mitigate this type of risk.

The overall model implemented by the Bank to manage and monitor liquidity risk is divided into three separate sectors, according to the perimeter of reference, the time span and the frequency analysis: *(i)* management of intraday liquidity; *(ii)* management of operating funds; *(iii)* management of structural liquidity.

The Bank has drawn up a liquidity policy that defines, in accordance with the tolerance threshold decided by the Board of Directors, a series of alerts to manage both operating liquidity and structural liquidity.

The Bank also has a "Liquidity Risk Management and Governance Manual", a Recovery Plan and a "Contingency Liquidity Plan", as instruments to mitigate liquidity risks. The document details the persons and structures responsible for implementing extraordinary funding policies, as well as any actions to be taken to remedy an extraordinary event situation, in compliance with the regulatory requirements provided for by vigilance regulations.

In drawing up the "Contingency Liquidity Plan", the Bank has defined a series of risk indicators that are constantly monitored in order to pre-paid possible stress or liquidity crisis situations.

The "Liquidity Coverage Ratio" (LCR) is calculated based on the provisions of EU Regulation 2015/61 issued to supplement EU Regulation n. 575 of 26 June 2013 of the European Parliament (CRR Regulation), as well as the additional indications and recommendations of the European Banking Authority on this matter.

Transactions with related parties

In accordance with prudential regulations regarding risk activities and conflict of interest vis-à-vis connected subjects, please note that no noteworthy transactions were carried out with related parties, pursuant to pertinent regulations and criteria adopted within the scope of implemented policies, regarding which the Independent Director and/or the Board of Statutory Auditors formulated a negative judgment or made observations.

Transaction of an ordinary or recurring nature executed during 2020 with related parties fall within the scope of normal Bank operations and are negotiated at market conditions and always on the basis of reciprocal economic convenience and in compliance with the aforementioned internal procedures.

Detailed information regarding transactions with related parties, including information regarding the effect of operations or existing positions with said counterparties on financial and net work and on the year end results, accompanied by the summary tables of said effects, are provided in Part H of the Explanatory Notes.

Significant events after the close of the fiscal year

During the meeting held on 26 March 2021, the Board of Directors passed a resolution to take advantage of the extended term of 180 days for approval of the financial statements for the 2020 fiscal year provided for by Law n. 21 issued on 26 February 2021, converting law-decree n. 183 issued 31 December 2020, containing urgent provisions on the matter of deferral of legislative deadlines, which extended the faculty introduced by article 106 of law-decree n. 18 issued on 17 March 2020 to the year 2021 as well.

In compliance with regulatory provisions, adequate information regarding significant events subsequent to the close of the fiscal year is provided below.

- In brief, the most significant events were:
- Changes to the Federal Government in February 2021, with the entry of the Draghi Government, tasked with rapidly rolling out the vaccination campaign, managing European funds and re-launching economic growth, at a standstill for all too many years;
- On 1 March 2021, the Orentano branch was moved to Lucca in a functional operational structure. This move brings to completion the choice made in previous years to place roots in city with a unique economic vivacity, in which we believe our style of banking may have considerable prospects for growth;
- In March 2021 the bank's equity strength was further increased through the issue of 5 million euro worth of permanent AT1 bonds, that reached the overall amount of 15 million euro:

BOND	DESCRIPTION	ISIN	EXPIRY DATE	AVERAGE RATE	AMOUNT
498001 (2021)	CAMBIANO PERPETUA AT1 498	IT0005439846	PERMANENT	5.00000	5,000,000

Foreseeable management trend

The economic scenario at the beginning of 2021 is on the whole in line with the final part of 2020. Measures required to contrast the epidemic have lead to continuing the "stop and go" strategy that alternates periods characterized by more stringent restrictions to periods of greater liberty. The last days have brought, as epidemiologists had broadly pre-paid, a new acceleration in contagion rates. In March and April, signs of recovery will therefore very probably remain suffocated by restrictions to business activities in various sectors.

Looking forwards to late spring, changes in the restrictions resulting from the vaccination campaign are possible; limits on vaccine roll-outs should gradually lessen, if vaccines from other pharmaceutical companies are approved for use. Therefore, we can reasonably expect that progress in the vaccination campaigns, combined with seasonal factors (with the warmer weather the virus has a shorter lifespan) will lead to an improvement in the healthcare scenario around halfway through the year.

Nevertheless, elements of uncertainty that may derive from genetic mutations of the virus, which could therefore modify the characteristics and, possibly, reduce the effectiveness of vaccines, are not to be underestimated.

Despite the difficulties associated to the distancing measures, initial data on the scenario for the beginning of 2021 are, on the whole, encouraging. The first months of the year in fact registered a relative stability, despite large differences between sectors. The positive industrial stage is confirmed, as indicated by energy input consumptions, that remain substantially in line with the previous year's levels, prior to explosion of the pandemic; similarly, since last summer, the construction industry has also returned to pre-crisis levels.

On this matter, it is significant that the confidence of businesses in the industrial and construction sectors has returned to early 2020 levels; in this sense, one cannot but hope that the 110% tax bonus on restructuring work enter into full swing. An analysis of the components of the ISTAT survey on industrial businesses shows that forecasts for demand and production have grown.

It must be noted that in the industry, evaluations on employment prospects are also on the upswing, which is a considerably important aspect, in light of the possibility that in the months to come measures related to limitations on firing personnel will be lifted. Finally, expectations regarding prices are rising, in line with the current price recovery for raw materials.

On the other hand, the distancing measures continue to influence behaviour, with repercussions primarily on services; mobility remains extremely low (for example, suffice it to look at data on fuel consumptions, with sales on gasoline dropping by 32 percent in January) and the sectors struck hardest – from tourist services, to events and congresses, to live entertainment– will surely remain in deep crisis from some months yet. It is however interesting that the verdicts of market services businesses have shown some points of initial recovery: forecasts regarding demand and employment rates are improving, while in this case, unlike for industrial sector, there is no sign of price increases.

Therefore, in general, the glass is half full: things are not going well, but the system is withstanding the pressure of a very long crisis; the general hope is that health measures will begin to be lifted in a few months, thanks to the administration of a high number of vaccines.

Business continuity

In joint Bank of Italy, Consob and Isvap Document n. 2 of 6 February 2009, as well as in subsequent Document n. 4 of 3 March 2010, companies are required to provide information regarding business forecasts in the company financial reports, with particular reference to business continuity financial risks, impairment tests on assets and uncertainties regarding the use of estimations.

In light of the principle economic and financial indicators, the Board of Directors is reasonably certain that the Bank will continue operations in the foreseeable future. The financial statement as at 31 December 2020 were therefore prepared with business continuity in mind. Please note that the Bank's activity is focalized on implementing the guidelines provided for in the Business Plan. The activity carried out in January 2021 within the scope of the "self-assessment" called "Business sustainability: self-assessment and identification of areas of intervention", which was brought to a successful close, was in support of this affirmation.

As regards requirements relating to information on financial risks, impairment tests on assets and uncertainties in the use of estimations, please refer to the information provided in the Report of the Board of Directors and in the Explanatory Notes, where the respective aspects are specifically described. Specifically, risks connected to economic and financial market trends are described in the section regarding the macro-economic context. Specific analyses are dedicated to domestic economic and financial trends and prospects. Information regarding financial risks and operating risks are described in the section of the Explanatory Notes dedicated to risk monitoring. Furthermore, the Explanatory Notes provide information regarding the segmentation between various levels of fair value for certain types of financial instruments.

This being said, the situation we have outlined is widespread and we do not believe that consequences for the Bank will be greater than those expected for other credit intermediaries with comparable financial soundness and standing.

Indeed, the cornerstone on which our business has always rested is sound and prudent management, the prerequisite to ensure the solidity of the company's overall technical standing even in stress situations.

This principle, constantly applied, has allowed us to maintain positive profits even throughout this ten year crisis period, albeit reduced with respect to pre-crisis number due to exogenous variables, such as interest rate trends and the already repeatedly mentioned extraordinary contributions in support of banks in difficulty.

The Italian banking system is considerably increasing lending to the production sector, following the liquidity crisis caused by the pandemic that has struck Italian businesses.

As the economic cycle recovers, the next two-year period could be characterized by in increased demand for mortgage loans and lending to families, assisted up to now by moratoria.

Over the next few months, collection will continue to increase, given the high degree of uncertainty; businesses and families increase their liquidity, both as a precaution and for a greater propensity towards savings oriented to liquid and low-risk investments. Subsequently, a hoped-for improvement in the pandemic scenario and global economy should lead to a decrease of deposits on current accounts, due to an increased consumer thrust and a decreased risk aversion, as families will be oriented towards more remunerative forms of investment.

In December 2020, the ECB introduced additional measures and no significant variations to remuneration rates of deposits with the Monetary Authority are expected over the next three-year period. Overall interest income will continue to be supported by the benefit tied to ECB funds, thanks to the favourable conditions on TLTROIII extended to June 2022 and to additional auctions that will be held in 2021.

Despite the fact that the extraordinary measures introduced to support the solvency of households and businesses permitted limiting the increase of default rates in 2020, in 2021 an increase in the risk level is probable, due to the progressive fading of the effects of the extraordinary measures and the delay in the formation of impaired credits.

Within this context, the Bank will continue to face important challenges regarding a development program based on guidelines that are dictated by the Business Plan, which will, nonetheless, have to be updated in terms of quantities, due to the changes in market scenarios.

For 2021, the Bank's primary objectives area:

a) To preserve company profitability;
b) To complete the improvement actions undertaken subsequent to the Project Portfolio;
c) To further reinforce capitalization levels through a hoped-for capital strengthening and the careful management of risk-weighted assets.

Proposal for allocation of the fiscal year profits

The financial statements were drawn up in compliance with the international IAS/IFRS accounting principles and according to the requirements of Italian Legislative Decree n. 38 of 28 February and Bank of Italy Order n. 262 of 22 December 2005 and subsequent amendments, and was subject to legal audit of accounts for the first time by the company Deloitte & Touche S.p.A., whose report is contained in copy inside the financial statements.

In deciding the al location of fiscal year profits, the Board has taken into account recommendations issued by Bank of Italy on 16 December 2020, that invite less significant Italian banks (i) to abstain from recognizing or paying dividends or to limit the amount to no greater than 15% of profit accumulated for 2019-20 or to 20 basis points of the CET1 coefficient (in any case, the lower of the two); (ii) to abstain from recognizing or payment of provisional dividends payable out of the profits of 2021; (iii) to exercise extreme prudence in recognizing variable remuneration, and unanimously resolved to allocate the entire profit for 2020 to reserve. The aim of the aforementioned recommendations was to encourage banks to allocate profits to reinforcing company capital, so as to put the financial system in a better position to absorb any losses that may occur as a result of the health emergency, and continue to support the economy.

Within the scope of the declared objectives of reinforcing the Bank's capital profile, the Board of Directors proposes to allocate the fiscal year profit as follows:

- 5% of profit, equal to 405 thousand euro, to Legal Reserves,
- The remaining amount, equal to 7,695 thousand euro, to Extraordinary Reserves.

Table 19 – Proposal for the allocation of the 2020 fiscal year profit

PROPOSAL FOR THE ALLOCATION OF THE 2020 FISCAL YEAR PROFIT	
	Amount
NET PROFIT TO BE DISTRIBUTED	**8,100,000**
Proposal of the Board of Directors	
To Legal reserves (5.00% of profit)	405,000
To Extraordinary reserves	7,695,000
To shareholders as dividends	-
Total	**8,100,000**

* * *

Esteemed Shareholders,
we wish to conclude with our sincere thanks to our Customers, who have favoured us with their trust, loyalty and devotion, thus allowing us to create a banking reality that is increasingly appreciated in its market of reference.

A particular thank you to the members of "Ente Cambiano", who are and remain the fundamental base of our Bank and in respect of whom we will continue to finalize initiatives in accordance with the mutual-aid purposes of the Ente.

In closing, a particular thank you to all those who, with their dedication and professional aptitude, have contributed to this positive closing of Banca Cambiano 1884 S.p.A's financial year; our thanks essentially go out to:

- to Management of the Florence offices of Bank of Italy and to Central Management of the Supervisory Authority, for the ongoing assistance and collaboration provided;
- to the Cabel network, for the ongoing collaboration;
- The members of the Board of Statutory Auditors, for the commitment and thoroughness in executing their functions;
- To Ente Cambiano, the shareholder of reference, and to the community that it represents;
- To General Management and all employees, at every level, a fundamental resource for the bank, without whose constant commitment, reorganizing the bank structure and achieving year end results would not have been possible. We renew our profound acknowledgement to all bank personnel for the dedication and commitment shown even in the difficult moments created by the pandemic, that did not generate any slowdown in any of the Bank's operating sectors. True participation and sense of belonging lie in the facts and are an enormous added value that does not show up among the items of the financial statements, but that is strongly felt by our customers.

Florence, 12 April 2021

The Board of Directors

Report of the Board of Statutory Auditors

To the Shareholders,

This report acknowledges the results of the activity performed by the Board of Statutory Auditors during the fiscal year ended on 31 December 2020, also with reference to the functions attributed to it by Article 19 of Italian Legislative Decree n. n. 39/2010.

During the fiscal year in review, the Board of Statutory Auditors performed its supervisory activity as required by the Italian Civil Code, Legislative Decrees n. 385/1993 (consolidated law on banking - "TUB"), n. 58/1998 (unified financial services act - "TUF") and n. 39/2010 (consolidated act on statutory auditing), in statutory regulations, as well as special laws on the subject and pursuant to the provisions set forth by public Authorities in charge of vigilance and control (specifically, Bank of Italy and CONSOB), as well as considering the rules of conduct for the Board of Statutory Auditors recommended by the National Council of Accountants and Accounting Experts.

The financial statements were audited by the company Deloitte & Touche S.p.A. in accordance with articles 2112 and 2558 of the Italian Civil Code and Consob Circular n. 10121 dated 30/06/1988. As regards the statutory audit, pursuant to article 14 of Legislative Decree n. 39 of 27 January 2010, please refer to their report..

The Shareholders' meeting held on 4 June renewed the components of the Board of Statutory Auditors.

* * * * *

In accordance with article 2429, sub-section 2 of the Italian Civil Code, specific reference is made to the following aspects.

1. Supervisory activity performed in compliance with obligations

During the 2020 fiscal year, the Board of Statutory Auditors supervised compliance with law and the Articles of Association, as well as compliance with principles of proper administration and sound and prudent management.

Il The Board, also acting as the "*Internal control and auditing committee*" in accordance with Article 19 of Legislative Decree no. 39 of 27/01/2010, controlled the adequacy of the financial information process, finding it to be adequate to the business activity and regulatory requirements.

As will be set forth in detail below, we also supervised the effectiveness of the internal control system and internal audit system, capable of addressing the risks that arise in the Bank's activity.

The supervisory and control activity was performed in the different areas noted above, as follows:

1) participation at meetings of the Board of Directors (n. 33), of the Executive Committee (n. 40) and of only one member of the Board, usually the Chairman of the Risk Committee (n. 7), of the Ordinary Shareholders' Meeting (n.1) and the Extraordinary Shareholders' Meeting (n.1);
2) meetings with the company entrusted with the statutory audit;
3) controls with the managers of the various corporate department, in particular with Internal Audit, Risk Management, Compliance, Anti-Money Laundering; following the Bank's designation as Parent Company, outsourcing of internal auditing activities to Ente Cambiano

Scpa ceased and, starting 1 August 2020 these activities are carried out by the Bank, who in turn works in co-sourcing with the company META Srl located in Empoli, and compliance activities are carried out in co-sourcing with another division of the same company, META Srl, with the same structures previously used;

4) exchange of information with the Supervisory Authority, in accordance with Legislative Decree 231/2001;
5) meetings with the Boards of Statutory Auditors of the various controlled companies were held, in view of closing of the financial statements.

By participating at the meetings of the Board of Directors and the Executive Committee, the necessary information was acquired, both to evaluate the Bank's trend with regard to its overall capital and economic development, as well as to evaluate its most significant operations. The Board of Statutory Auditors can confirm that, to the extent it is aware, management operations were performed in conformity with law and the Articles of Association, were in the Bank's interests, and did not appear to be manifestly imprudent, irrational or reckless in such a way that would compromise the integrity of the Bank's capital, create a conflict of interest, or conflict with the resolutions approved by the Shareholders' Meeting.

Participation at the meetings of the Board of Directors also allowed us to verify that delegated individuals reported on the operations they performed in accordance with the powers attributed to them, the general management trend, and its foreseeable development. The directors also reported any cases of conflict of interest, in accordance with outstanding provisions of the Italian Civil Code in order to allow proper decision-making procedures to be implemented pursuant to Article 136 of the Consolidated Law on Banking, article 2391 of the Italian Civil Code "Interests of the administrators" and the Regulations for Operations with Connected Subjects, adopted to implement the provisions of Supervisory Regulations.

It is noted that the auditors of the Independent Auditor company, with whom the Board of Statutory Auditors exchanged information related to audits of the financial statements and other controls that they performed, did not advise of any circumstances, irregularities or censurable facts that had to be reported to the Supervisory Authority or to the same Board of Statutory Auditors.

Audits of the overall structure of controls by the Board has taken into account the activities carried out by the Internal Audit function, as the recipient of the audit reports containing the results of the controls that this service carried out during the year, as mentioned, in co-sourcing with the company META Srl located in Empoli. The Board of Statutory Auditors has also reviews and approved the annual auditing plan schedule by Internal Audit for the year 2021.

With respect to second level controls, the interaction, which has always been productive, regarded:

- the Risk Management Department, that supplied adequate information regarding risks, the object of periodic reports concerning the controls carried out directly, as well as the effectiveness of the departments entrusted with examining and measuring the different types of risks, and the co-ordination of such departments aimed at an overall vision of risks;
- Compliance (compliance to regulations), for the review and assessment of issues regarding the legal framework with which the Bank must comply and for reports regarding the state of company compliance with respect to areas of the Department's competence;
- Anti-Money Laundering, for reports regarding this delicate sector, documents whose level of clarification fully represent, among other things, organisation and electronic controls in terms of an adequate control of customers and the supply of information to the Centralized Computer

Archive;

- The Budget, Planning and Management Control Office and the Credit Control Office whose reports, shared with Risk Management, provide this Board with adequate information regarding monitored risks pertaining to the specific competence of this function.

On the basis of the above premises, we consider the internal control system – in its entirety - suitable for guaranteeing the control of risks and compliance with applicable regulations and procedures.

During the fiscal year in review, still as regards internal audits, the Board of Statutory Auditors was also able to evaluate the compliance to the provisions of Bank of Italy Circular n. 285 dated 17 December 2013 "Vigilance provisions for Banks" and the continuing conformity of internal regulations.

The Board of Statutory Auditors also assessed and supervised the adequacy of the administrative and accounting system, as well as the latter's reliability in accurately representing management activity, by means of numerous meetings with the Budget, Planning and Management Control Office, the review of company documents and, primarily, the ongoing analysis of the results of the work carried out by the Independent Auditor, which was entrusted, as noted, with the specific task of the statutory audit of the accounts.

During the course of the audits and controls conducted, considering the information acquired, including by means of ad hoc reports prepared by the offices entrusted with control functions, no indications appeared of any irregularities in corporate management that would indicate any particular organisational deficiencies.

We acquired knowledge of and supervised the adequacy of the organisational, administrative and accounting set-up and its operating methods and the measures adopted by the administrative body to face the Covid-19 medical emergency, also by gathering information from office managers and, on this matter, we have nothing of significance to report.

In conclusion, in consideration of the information obtained during the course of the supervisory activity performed, the Board of Statutory Auditors can confirm that the organisational structure, internal control system and accounting-administrative structure are consistent with the Bank's size, are adequate for its operating needs and have been timely adjusted/refined based on the evolution of such needs and, specifically, the laws and regulations that regulate the Bank's activity.

During the fiscal year, based on the information obtained by the Board of Statutory Auditors, no atypical and/or unusual operations were performed.

With resolution dated 28.10.2020, the Board of Directors introduced an updated version of the document entitled "Policy for the management of transactions with related parties" to manage transactions with related parties of the Gruppo Bancario Cambiano, and updated the regulations entitled "Resolution procedures for transactions with related parties".

Relationships with related parties took place on the basis of the Regulations in force and in compliance with the requirements of Bank of Italy Measures entitle «Risks and conflict of interest with respect to related parties ». The Board of Statutory Auditors, in its supervisory function, has always found compliance with the regulations on this matter. Transactions were always in line with market conditions or, where appropriate reference parameters were missing, according to cost and, in any event, on the basis of evaluations of objective reciprocal convenience and correctness. No large transactions were carried out with related parties, pursuant to the regulatory provisions of reference and criteria adopted within the scope of corporate policies, regarding which the Independent Directors, and/or the undersigned members of the Board of Statutory Auditors expressed a negative opinion or formulated reports.

The document «Remuneration policies for directors, employees and collaborators who are independent contractors» was found to be adequate, consistent with supervisory regulations and in conformity with what was indicated by the Internal Audit office, and the Board found that it was properly applied during the course of the fiscal year. In addition to the financial statements, the Shareholders' Meeting is being provided with the information, duly formulated and required, regarding the effective manner in which remuneration policies are applied.

With respect to the activity performed, the Board of Statutory Auditors wishes to specifically note the following business and corporate circumstances:

- The Board of Statutory Auditors met 27 times during the course of the fiscal year;
- No significant facts emerged from the inspection and control activities, requiring notification to the Bank of Italy and no complaints or allegations were made pursuant to article 2408 of the Italian Civil Code;
- the Board of Statutory Auditors did not have to issue any opinions required by law as there was no need due to the lack of pre-requisites;
- during the course of the fiscal year, the Board carried out the activity of Supervisory Body in accordance with Legislative Decree 231/2001. This activity consisted in examining the organisational and management model and the training program for personnel, as well as advising the Bank's managers of the need for ongoing collaboration, useful for allowing full and effective activity to prevent the crimes provided by the above law;
- the Board of Statutory Auditors has fully endorsed the objectives and risk profiles contained in the "RAF Regulations" document approved by the Board of Directors, which provides the framework to calculate the Bank's Risk Appetite Framework (RAF), adopted in compliance with Supervisory regulations and with the guidelines approved by the Board of Directors of the parent company in the Group RAF Policy;
- the Board of Statutory Auditors has fully endorsed the process for updating of the Business Plan for the period 2020-2022;
- Within the scope of its own annual planning, the Board of Statutory Auditors verified the Anti-Money Laundering process, and no significant critical profiles emerged, thus confirming that the controls adopted are substantially adequate to the task;
- the procedure for the autonomous assessment of capital adequacy (ICAAP) was further implemented, as was the liquidity risk governance and management system (ILAAP), in accordance with regulatory guidelines; as illustrated by the Bank, both the capital and the liquidity governance and management system are fully adequate for the risks assumed;
- laws regarding the transparency of banking and financial services and transactions were applied;
- in terms of usury, the Bank's operations were conducted in compliance with Law n. 108/1996 and the Implementing Provisions of Bank of Italy;
- as required by article 136 of the Consolidated Law on Banking, the Board unanimously confirmed the transactions conducted, directly or indirectly, the by the Bank's representatives, all approved in accordance with law, including article 2391 of the Italian Civil Code;
- with reference to the 33 complaints received by the Bank in 2020, compared to the 26 received in 2019, the enquiry procedure and management of such cases was found to be proper; further, it was determined that the parties involved were given a timely and reasoned response and that such complaints were properly represented to the Bank's bodies according to regulatory

requirements;

- it is certified that, with the participation required of employees, the necessary training was conducted regarding anti-money laundering, financial consulting, the placement of insurance and financial products, occupational safety, credit lines and usury.

The Board of Statutory Auditors has fully endorsed the activities carried out during 2020 regarding regulatory compliances processes related to:

- compliance to internal regulations and the various measures relating to the COVID contagion;
- the progressive updating of contracts and forms in light of continuous regulatory modifications;
- preparation of the document describing obligations to safeguard customer goods and the respective regulations;
- preparation of the new MiFID II questionnaire, currently in the testing stage;
- compliance to the new default definitions in force as of 1 January 2021;
- launching of the project to meet requirements provided for by the directive on reporting cross-border taxation– DAC 6;
- starting production of the new information and summary document on expenses (so-called “FID” or “SOF”), required by the PAD (Payment Account Directive);
- completion of actions to comply to the Fourth Anti-Money Laundering Directive regarding appropriate screening of customers.

2. Fiscal year results

The Board of Statutory Auditors has examined the draft financial statements for the fiscal year closed on 31/12/2019 and the management reports, submitted to the same Board by the Board of Directors, within the term required by law.

Given the exemption contained in art. 106, first sub-section , of Italian Law decree n. 18 issued on 17 March 2020, and converted with amendments by Law n. 27 of 24 April 2020, and the contents of the Articles of Association, the ordinary shareholders’ meeting for approval of the financial statements was convened later than the term of 120 days from closure of the fiscal year.

As the Board of Statutory Auditors is not required to perform the statutory audit of the Financial Statements, the Board has verified the overall layout of the statements, its composition, its structure, the evaluation made of company assets and the management report, in conformity with current laws, provisions of the Supervisory authority and the International IAS/IFRS accounting principles.

The draft financial statements were submitted to review by the company Deloitte & Touche S.p.A., tasked with statutory audit of accounts, On 28 April 2021, in accordance with articles 14 and 16 of Legislative Decree n. 39/2010, the audit company has issued its professional opinion as to the reliability of the financial statements in question, without notes or objections.

The Explanatory Notes contain further information either deemed useful or required by law for a more exhaustive representation of corporate events and a better comprehension of balance sheet data.

The Board of Statutory Auditors also met with the company in charge of the statutory audit of the accounts, thus taking note of the work carried out by the latter and exchanging reciprocal information, as per article 2409-septies of the Italian Civil Code. As regards the items in the draft financial statements submitted to the

Shareholders' assembly, the Board of Statutory Auditors has carried out the controls required to be able to provide the following comments.

3. Comments on the financial statements

It is noted as follows:

- The draft financial statements were prepared, in implementation of Legislative Decree n. 38/2005, from a substantive standpoint, in accordance with the Supervisory Regulations contained in Circular n. 262 of 22 December 2005 of the Bank of Italy and in application of the IAS/IFRS international accounting standards issued by the International Accounting Standards Board (IASB), approved by the European Union, and in effect as of the date the financial statements were closed, as well as the related interpretations (SIC/IFRIC). Such accounting standards are reported analytically in part A.1, section 2 of the Explanatory Notes. The above documentation duly considers what is provided in the Joint Document of the Bank of Italy, Consob and Isvap n. 4 of 3 March 2010, on the information to be provided in financial reports on controls of the reduction of value of assets (impairment test), on the contractual clauses of financial liabilities, on debt restructuring and on the "hierarchy of fair value";
- the draft financial statements, as prepared, correspond to the facts and information the Administrative Body was aware of as of the date of their approval;
- The Report on Operations contains the information required by outstanding law and completes, in a clear manner, the content of the fiscal year financial statements; specifically, in the Report on Operations and in the Explanatory Notes, the directors have provided the information required by Document no. 2 of Consob, the Bank of Italy and Isvap of 6 February 2009 on "business continuity" *(going concern)*, and they prepared the financial statements based on an expectation of business continuity. The Board agrees with the judgment expressed and confirms the reasonable expectation that the company will continue operating in the foreseeable future.

As noted, with respect to the supervisory activity regarding the financial statements for which it is responsible, in addition to the provisions of the Italian Civil Code and provisions of the Supervisory Authority, the Board of Statutory Auditors complied with the rules of conduct established by the National Council of Accountants and Auditors.

In conclusion, the Board of Statutory Auditors approves the 2020 fiscal year financial statements, which were duly made available within the prescribed term.

Moreover, during the course of the 2020 fiscal year, the Board of Statutory Auditors met with the auditing company Deloitte & Touche S.p.A. and exchanged information, as provided for by Italian Legislative Decree n. 39 of 27 January 2010, implementing European Community directives regarding statutory auditing of accounts. In accordance with article 11 of (EU) Regulation 537/2014, the aforementioned auditing company also provided the required supplementary report for the internal audit committee and for the purpose of the accounting audit, in which the company confirmed finding no significant deficiencies in the internal control system with respect to the financial information process, the accounting system and the statement, in accordance with article 6, sub-section 2, lett. a) of (UE) Regulation n. 537/2014, and that no situations were found that might have compromised independence, as per articles 10 and 17 of Italian Legislative Decree n. 39/2010 and articles 4 and 5 of (EU) Regulation 537/2014.

We confirm that the Directors provided all the indications required by article 10 of Law n. 72 of 19 March 1983 in a specific annex to the financial statements.

4. Proposal regarding the financial statements and the approval thereof

Upon the conclusion of the specific controls carried out, the Board can certify that the Report on Operations is consistent with the Bank's financial statements as of 31 December 2020 and indicates business performance, its current trend and outlook. This is true with reference both to the financial information, as an analysis of the income, asset and financial situation and indictors of capital adequacy, as well as with respect to other information, such as risks and uncertainties concerning the Bank's activity, its management, human resources, cultural and promotional activities, security, mutual aid activities, and business performance. The significance of credit risk, liquidity risk and market risk was adequately indicated, also in consideration of the strong market tensions. The Explanatory Notes indicate the measurement criteria used and provide all of the information required by laws currently in force, including information on credit risk, market risk, liquidity risk and operational risks.

In conclusion of our report, in repeating that on the basis of the supervisory activity carried out no critical events appeared and no omissions or irregularities were found, the Board of Statutory Auditors expresses its favourable opinion, to the extent of our responsibility, for the approval of the financial statements for fiscal year 2019 and related proposal for the allocation of the fiscal year net profit, which it certifies conforms to law and the Articles of Association and is suitable in view of the Bank's economic and financial situation.

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The Board sincerely thanks all the Bank's departments for the collaboration provided to the control body during the course of the fiscal year, while carrying out its institutional functions.

Florence, 28 April 2021

THE BOARD OF STATUTORY AUDITORS

Dr. Gaetano De Gregorio	CHAIRMAN
Prof. Riccardo Passeri	ACTING AUDITOR
Dr.ssa Manuela Sodini	ACTING AUDITOR

Report of the Independent Auditor

Deloitte.

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REPORT OF THE INDEPENDENT AUDITOR

IN ACCORDANCE WITH ARTICLE 14 OF LEGISLATIVE DECREE NO. 39 OF 27.1.2010

AND ARTICLE 10 OF EU REGULATIONS N. 537/2014.

To the Shareholders of

Banca Cambiano 1884 S.p.A.

REPORT ON THE ACCOUNTING AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the fiscal year financial statements of Banca Cambiano 1884 S.p.A. (the Bank), consisting of the balance sheet as at 31 December 2020, the income statement, the schedule of overall profitability, the schedule of variations to shareholders' equity, statement of cash flows for the fiscal year ending on the aforementioned date and by the explanatory notes thereto.

In our opinion, the financial statements represent in a truthful and accurate manner shareholders' equity and the financial situation of the Bank as at 31 December 2020, as well as of the economic result and cash flows for the fiscal year closed on the same date, in conformity with the International Financial Reporting Standards adopted by the European Union, as well as with the regulations implementing article 43 of Legislative Decree n. 136/2015.

Basis for the opinion

We conducted the audit in conformity with the procedures specified in the audit standards (ISA Italia). Our responsibilities pursuant to the aforementioned standards are further described in the section *Responsibility of the Independent Auditors for the audit of financial statements for the fiscal year* in this report. We are independent with respect to the Bank, in compliance with regulations and standards regarding ethical principles and independence applicable in Italian Law to audits of financial statements. It is our opinion that we have acquired sufficient and adequate evidence on which to base our opinion.

Key aspects of the audit of accounts

The key aspects of the audit of accounts are those aspects that, in our professional opinion, are of greatest significance within the scope of the audit of accounts for the financial statements in review. These aspects were dealt with within the scope of the audit of accounts and in forming our opinion as to the overall financial statements; therefore, we will not express a separate opinion of such aspects.

Classification and measurement of impaired receivables from customers classified as non-performing and probable defaults

Description of the key aspect of the audit

As written in the section "The quality of credit" of the report on management e in the quantitative information regarding credit risk in Part E – Information on risks and relative hedging policies of the explanatory notes at 31 December 2020, Banca Cambiano 1884 S.P.A. impaired receivables from customers measured at amortized cost amount to a gross value of 266.8 million euro, to which value adjustments equal to 118 million euro are associated, with a resulting net value of 148.8 million euro.

The report on management also notes that the so-called "coverage ratio" of impaired receivables from customers measured at amortized cost at 31 December 2020 is equal to 44.25%. In particular, the aforementioned impaired receivables, classified in accordance with the IFRS 9 "Financial Instruments" international accounting standard in so-called "third stage", include non-performing loans for a net value equal to 83.9 million euro, with a 51.9% coverage ratio and probable defaults for a net value equal to 62.3 million euro, with a 30% coverage ratio.

As regards the classification of credit exposures for homogenous risk classes, the Bank applies sector standards and internal policies that govern classification and transfer between the various risk categories.

In determining the recoverable value of impaired receivables from customers measured at amortized cost, the Bank, within the scope of its valuation policies, has applied valuation procedures and methods characterized by elements of subjectivity and estimation of some variables including, mainly, forecasted cash flows, expected recovery times and the

realizable value of collateral, where present, the modification of which may result in a change of the final recoverable value; this determination is based on the use of information available at the date of assessment, taking into due account the possible effects of the pandemic crisis.

Information regarding the aspects described above is provided in the Report on Management and in the Explanatory Notes Part A – Accounting Policies and Part E – Information on risks and the relative hedging policies.

Considering the significance of the amount of impaired receivables from customers measured at amortized cost entered in the balance sheet, and the complexity of the Bank's estimation procedures, which required a detailed classification in homogenous risk categories, as well as the significance of the discretional components inherent to the estimative nature of recoverable value (such as estimations of expected cash flows, the relative recovery times, the value of collateral and the possible recovery strategies), it is our opinion that the classification of impaired receivables from customers measured at amortized cost and classified as non-performing loans and probably defaults and the valuation thereof are to be considered a key aspect of the audit of the Bank's financial statements as at 31 December 2020.

Auditing procedures carried out

Within the scope of the auditing activities, the following main procedures were carried out:

- Comprehension of internal regulations and processes established by the Bank in relation to the methods for classification and determination of the recoverable value of impaired receivables from customers measured at amortized cost and classified and non-performing and probable defaults, in order to verify the conformity to the regulatory framework of reference and applicable accounting standards;
- Verification of the implementation and operational efficacy of specific key controls with reference to the aforementioned processes;
- Qualitative and trend analysis of impaired receivables from customers measured at amortized cost and classified and non-performing and probable defaults through appropriate qualitative and quantitative indicators in order to identify possible elements of interest, also in consideration of the effects of the COVID-19 pandemic;
- Verification, for a sample of selected positions, also based on the elements of interest emerging from the analysis mentioned at the above point, of the classification and evaluation of the recoverable value of impaired receivables from customers measured at amortized cost and classified and non-

performing and probable defaults based on the regulatory framework of reference, the applied accounting standards and any effects deriving from the VOCID-19 pandemic, also by requesting and examining written confirmation by attorneys assigned to credit recovery;

- Analysis of the events subsequent to the date of closing of the financial statements, in order to formulate considerations regarding the valuations made by the Directors;
- Verification of the completeness and conformity of the information provided by the Bank in the financial statements, with respect to the requirements of applicable accounting standards and regulations, as well as by documents issued in relation to the effects of Covid-19 by national and European regulatory and supervisory bodies.

Classification of in bonis receivables from customers measured at amortized cost at higher risk

Description of the key aspect of the audit

As written in the section "The quality of credit" of the report on management e in the quantitative information regarding credit risk in Part E – Information on risks and relative hedging policies of the explanatory notes at 31 December 2020, Banca Cambiano 1884 S.p.A's in bonis receivables from customers measured at amortized cost amount to a gross value of 2.609.4 million euro, with portfolio adjustments equal to 26.3 million euro, for a resulting total net value of 2,664.1 million euro, showing a 0.98% coverage ratio. Of these, receivables from customers for in bonis loans at higher risk are essentially classified in the so-called "second stage", for 241.1 million euro with a 6.75% coverage ratio.

Within the scope of its policies regarding the management of receivables from customers for loans, the Bank has adopted processes and trend monitoring methods that include, among other activities, a detailed classification of credit exposures in homogenous risk categories, as provided for by sector regulations and internal policies that govern risk classification and transfer between risk categories. In the classification process for in bonis receivables, also for the purpose of the relative measurement, the Bank has taken into consideration the unique context of macro-economic uncertainty deriving from the pandemic emergency and the effects of the moratoria measures provided for by government provisions and banking association provisions during the year in review, as well as additional measures in support of the economy introduced through specific legislation.

Information regarding the above aspects is provided in the report on management and in the Explanatory Notes - Part A – Accounting policies, Part B – Information on the balance sheet, Section 4 Assets, Part C – Information on the income statement, Section 8, Part E – Information on risks and relative hedging policies.

Considering the significance of the amount and the complexity of classification process used by the Bank, and also considering the circumstances connected to the current pandemic emergency scenario, that have rendered the identification of in bonis exposures that have undergone a significant increase in the level of credit risk particularly critical and exposed to further elements of subjectivity, it is our opinion that the classification of in bonis receivables from customers measured at amortized cost and at higher risk are to be considered a key aspect of the audit of the Bank's financial statements as at 31 December 2020.

Auditing procedures carried out

Within the scope of the auditing activities, the following main procedures were carried out:

- Analysis of the credit process, specifically including the analysis and comprehension of organisational and procedural systems implemented by the Bank to guaranty monitoring of credit quality and the correct classification thereof, also for the purpose of the credit measurement, in conformity with applicable accounting standards and sector regulations; furthermore, this analysis was focused on the principle aspects outlined by the Supervisory Authority as regards the effects of the Covid-19 pandemic;

- Verification, by involving the IT experts of the Deloitte network, of the correct management and updating of archives:
- Verification of the operational efficacy of controls;
- Conduction of comparative analyses, examining the entries referred to receivables from customers for in bonis loans and the relative net value adjustments with corresponding homogenous data relative to the previous fiscal year;
- Verification, for a sample of in bonis higher risk exposures, of the correct classification based on regulatory forecasts and internal policies approved by the Bank;
- Analysis of the events subsequent to the date of closing of the financial statements, in order to formulate considerations regarding the valuations made by the Directors;
- Verification of the completeness and conformity of the information provided by the Bank in the financial statements, with respect to the requirements of applicable accounting standards and regulations, as well as by documents issued in relation to the effects of Covid-19 by national and European regulatory and supervisory bodies.

Other aspects – Comparative Data

The financial statements of Banca Cambiano 1884 S.p.A for the fiscal year closed on 31 December 2019 was audited by another auditing firm that expressed an opinion with no modifications to the statements in question, on 15 may 2020.

Responsibility of the Directors and of the Board of Statutory Auditors for the financial statements

The directors are responsible for preparing the financial statements so that they provide a true and correct representation in conformity with the International Financial Reporting Standards adopted by the European Union and with the provisions issued to implement Article 43 of Legislative Decree n. 136/2015 and, to the extent required by law, for those internal controls deemed necessary by the Directors to allow preparing financial statements that do not contain significant errors due to fraud or unintentional conduct or events.

Directors are responsible for assessing the capacity of the Company to continue operating as a working entity and, in preparing the financial results, for the appropriate use of the assumption of corporate continuity as well as for adequate information on this matter. Directors use the assumption of corporate continuity in preparing the financial statements, unless they have assessed the existence of conditions that require liquidation of the Company or interruption of business activities or that there are no realistic alternatives.

The Board of Statutory Auditors is responsible for vigilance, within the terms provided for by law, over the preparation process of the Company’s financial information.

Responsibility of the Independent Auditors for the accounting audit of the financial statements

Our objectives are to acquire reasonable certainty that the financial statements contain no significant errors due to fraud or to intentional conduct or to events and to issue an audit report that includes our opinion. Reasonable certainty means a high level of certainty that, nonetheless, is not a guaranty that an accounting audit conducted according to international auditing principles (ISA Italia) will always identify a significant error, should one exist. Errors may derive from fraud or from unintentional conduct, and are considered significant if it may be reasonably expected that such errors, singly or as a whole, may influence user economic decisions made based on the financial statements for the year.

Within the scope of the accounting audit conducted in compliance with the international auditing principle (IAS ITALY), we have exercised our professional expertise and have maintained professional scepticism for the entire duration of the accounting audit. Moreover:

- We have identified and assessed the risk of significant errors in the financial statements, resulting from fraud or unintentional conduct or events; we have defined and carried out auditing procedures in response to said risks; we have acquired sufficient and appropriate evidence on which to base our opinion. The risk of not identifying a significant error resulting from fraud is higher than the risk of not identifying a significant error resulting from unintentional conduct or events, as fraud may implicate the existence of collusion, falsifications, intentional omissions, misleading representations or forced internal control results;
- We have acquired a sufficient understanding of the internal controls for the purpose of the accounting audit, in order to define accounting procedures that are appropriate to the circumstances and not for the purpose of expressing an opinion as regards the efficacy of the Bank's internal controls;
- We have assessed the appropriateness of the accounting principles applied as well as the reasonableness of the accounting estimations made by company administrators, including the respective information documents;
- We have come to a conclusion regarding the appropriate use of the assumption of corporate continuity on the part of the directors and, based on the evidence acquired, as to the possible existence of significant uncertainty as regards events or circumstances that may give rise to significant doubts regarding the Bank's capacity to continue to operate as a business entity. Where faced with a significant uncertainty, we are bound to call attention to the fact in the auditing report on the information provided or, if the information provided is insufficient, to take into account such inadequacy in the formulation of our opinion. Our conclusions are based on the documentation acquired as at the date of this report. However, subsequent events or circumstances may result in the Bank ceasing to operate as a business unit;
- We have assessed the presentation, structure and contents of the financial statements for the fiscal year as a whole, including the information documents, and whether or not the financial statements as such faithfully represent the underlying operations and events.

We have informed the persons in charge of governance activities, identified at an appropriate level, as required by ISA Italia principles, among other aspects, of the scope and timing planned for the accounting review and of the significant findings thereof, including any significant deficiencies in internal controls observed during the accounting audit.

We have provided persons in charge of governance activities with a declaration that all regulations and principles regarding ethical conduct and independence were observed, as applicable by Italian law, and have informed them of any situation that may reasonably affect our independence and, where applicable, the respective safeguarding measures.

Among aspects of which governance was informed, we identified those that were most relevant within the scope of the accounting audit of the financial statements for the fiscal year in review, which therefore constituted the key aspects of the audit. These aspects are described in the audit report.

Other information communicated pursuant to article 10 of EU Regulations 537/2014

On 4 June 2020, the Shareholders' Meeting of Banca Cambiano 1884 S.p.A. appointed our firm statutory auditor of the financial statements for the fiscal years from 31 December 2020 to 31 December 2028.

We hereby declare that no services forbidden by article 5, section 1 of EU Regulations 537/2014 were rendered other than the accounting audit and that we remained independent with respect to the Bank in the performance of the statutory audit.

We confirm that the opinion expressed in this report on the financial statement is in line with the contents of the additional report sent to the Board of Statutory Auditors in its role as committee for internal control and legal review, pursuant to article 11 of the aforementioned Regulations.

REPORT ON OTHER LAW AND REGULATORY PROVISIONS

Opinion pursuant to article14, sub-section 2, letter e) of Italian Legislative Decree 39/10

The Directors of Banca Cambiano 1884 S.p.A. are responsible for preparing the report on operations for Banca Cambiano 1884 S.p.A. at 31 December 2020, including its consistency with the respective financial statements for the fiscal year and its conformity to provisions of law.

We conducted the procedures specified in the audit standards (SA Italia) n. 720B for the purpose of expressing an opinion as regards the consistency of the report on operations with the financial statements of the Banca Cambiano 1884 S.p.A. as at 31 December 2020 and on compliance with provisions of law, and to issue a declaration regarding any significant errors.

In our opinion, the report on operations is consistent with the financial statements of Banca Cambiano 18884 S.p.A. as at 31 December 2020 and has been prepared in compliance with all provisions of law.

With reference to the declaration required by article 14, sub-section 2, letter e) of Italian Legislative Decree 39/10, issued based on knowledge and comprehension of the business and of the relative context acquired during auditing activities, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Antonio Sportillo

Partner

Florence, 28 April 2021

Schedules to the Financial Statements

OVERALL PROFITABILITY

		31/12/ 2020	31/12/ 2019
10.	Cash and cash equivalents	13,908,248	14,038,230
20.	Financial assets measured at fair value with recognition of income effects through profit and loss	141,631,580	145,805,287
	a) financial assets held for trading	*65,347,575*	*78,434,954*
	b) financial assets measured at fair value	-	-
	c) other financial assets obligatorily measured at fair value	*76,284,005*	*67,370,333*
30.	Financial assets measured at fair value with impact on total profits	191,484,151	355,217,802
40.	Financial assets measured at amortized cost	3,470,609,516	3,090,757,562
	a) receivables from banks	*377,384,274*	*163,819,252*
	b) receivables from customers	*3,093,225,241*	*2,926,938,310*
50.	Hedges	-	-
60.	Adjustments of value of generic hedges for financial assets (+/-)	-	-
70.	Equity investments	51,687,676	43,809,754
80.	Property, plants and equipment	71,471,733	73,296,316
90.	Intangible assets	3,234,062	5,085,844
	of which:		
	- goodwill	-	*3,140,342*
100.	Tax receivables	35,272,288	27,571,052
	a) current	*11,074,875*	*3,951,954*
	b) pre-paid	*24,197,414*	*23,619,098*
110.	Non-current assets and groups of assets in the course of divestment	-	-
120.	Other assets	45,842,349	51,002,734
	Total assets	**4,025,141,604**	**3,806,584,580**

	Liability line items and shareholders' equity	31/12/ 2020	31/12/ 2019
10.	Financial liabilities valued at amortized cost	3,706,623,227	3,503,726,582
	a) payables to banks	*859,668,682*	*558,271,540*
	b) payables to customers	*2,700,316,359*	*2,773,315,612*
	c) outstanding securities	*146,638,186*	*172,139,430*
20.	Financial liabilities from trading	641,300	312,688
30.	Financial liabilities measured at fair value	-	-
40.	Hedges	418,521	613,616
50.	Adjustments of value of generic hedges for financial liabilities(+/-)	-	-
60.	Tax liabilities	893,405	9,187,621
	a) current	*636,443*	*6,931,164*
	b) deferred	*256,962*	*2,256,456*
70.	Liabilities associated to assets in the course of divestment	-	-
80.	Other liabilities	111,421,226	105,075,218
90.	Employee severance pay	4,036,393	3,863,696
100.	Risk and expense funds:	2,615,159	2,150,248
	a) commitments and issued guarantees	*2,445,307*	*2,096,179*
	b) pensions and similar commitments	-	-
	c) other risk and expense funds	*169,852*	*54,069*
110.	Valuation reserves	583,837	1,846,376
120.	Redeemable shares	-	-
130.	Capital instruments	10,000,000	-
140.	Reserves	- 53,794,705	- 66,994,705
150.	Premiums on the issue of new shares	803,240	803,240
160.	Share capital	232,800,000	232,800,000
170.	Treasury shares (-)	-	-
180.	Fiscal year profit/loss	8,100,000	13,200,000
	Total liabilities and shareholders' equity	**4,025,141,604**	**3,806,584,580**

PROFIT AND LOSS ACCOUNT

	Line items	31/12/ 2020	31/12/ 2019
10.	Earned interest and similar income	74,463,232	74,632,913
	of which: *earned interest calculated using the actual interest method*	*73,245,631*	*72,720,933*
20.	Interest expenses and similar expenses	12,809,218	14,520,828
30.	**Interest income**	**61,654,014**	**60,112,084**
40.	Commission income	29,825,721	30,767,561
50.	Commission expenses	2,737,699	2,704,781
60.	**Commission income**	**27,088,023**	**28,062,780**
70.	Dividends and similar income	1,193,964	1,418,778
80.	Net trading result	2,037,108	2,702,206
90.	Net hedging result	- 58,950	91,331
100.	Gains (losses) from the disposal or repurchase of:	8,974,492	- 2,295,202
	a) financial assets measured at amortized cost	*8,567,236*	*- 2,401,883*
	b) financial assets measured at fair value with impact on total profits	*329,586*	*204,980*
	c) financial liabilities	*77,670*	*- 98,300*
110.	Net income of other financial assets and liabilities measured at fair value with recognition of income effects through profit and loss	-	-
	a) financial assets and liabilities measured at fair value	-	-
	b) other financial assets obligatorily measured at fair value	-	-
120.	**Operating income**	**100,888,650**	**90,091,977**
130.	Net adjustments/write-backs due to impairment of:	- 28,856,390	- 10,344,791
	a) financial assets measured at amortized cost	*- 28,964,546*	*- 10,880,625*
	b) financial assets measured at fair value with impact on total profits	*108,156*	*535,834*
140.	Profits/losses due to contract modifications without derecognition	46,867	- 225,763
150.	**Net income from financial assets**	**72,079,127**	**79,521,424**
160.	Administrative costs:	61,033,835	60,880,969
	a) personnel costs	*27,468,841*	*27,133,137*
	b) other administrative costs	*33,564,994*	*33,747,833*
170.	Net allocations to risk and expense funds	464,911	- 170,342
	a) commitments and issued guarantees	*349,127*	*- 151,363*
	b) other net allocations	*115,783*	*- 18,979*
180.	Net adjustments/write-backs on property, plants and equipment	5,537,202	5,433,283
190.	Net adjustments/write-backs on intangible assets	608,649	289,360
200.	Other operating costs/income	- 4,313,256	- 4,698,512
210.	**Operating costs**	**63,331,340**	**61,734,759**
220.	Profit (loss) from equity investments	299,963	248,956
230.	Net result of fair value measurement of property, plants and equipment and intangible assets	-	-
240.	Adjustments to value of goodwill	- 3,140,342	- 1,684,235
250.	Gains (losses) from disposal of investments	7,034	1,963
260.	**Gains (losses) from current operations before taxes**	**5,914,442**	**16,353,349**
270.	Fiscal year income tax on current operations	- 2,185,558	3,153,349
280.	**Gains (losses) from current operations before tax**	**8,100,000**	**13,200,000**
290.	Gains (losses) from disposed assets after tax	-	-
300.	**Profit (loss) for the fiscal year**	**8,100,000**	**13,200,000**

SCHEDULE OF OVERALL PROFITABILITY

	Line items	31/12/ 2020	31/12/ 2019
10.	**Profit (loss) for the fiscal year**	**8,100,000**	**13,200,000**
	Other income components net of tax without reversal to income statement		
20.	Capital securities measured at fair value with impact on total profits	- 1,043,662	20,955
30.	Financial liabilities measured at fair value with recognition of income effects through profit and loss (Variations to own creditworthiness)	-	-
40.	Hedges on capital securities measured at fair value with impact on total profits	-	-
50.	Property, plants and equipment	-	-
60.	Intangible assets	-	-
70.	Defined benefit assets	- 144,992	- 170,994
80.	Non-current assets and groups of assets in the course of divestment	-	-
90.	Share of valuation reserves of equity investments measured on the basis of shareholders' equity	-	-
	Other income components net of tax with reversal to income statement		
100.	Hedging of foreign investments	-	-
110.	Exchange rate differences	-	-
120.	Hedging of cash flows	-	-
130.	Hedging instruments (unmeasured instruments)	-	-
140.	Financial assets (other than capital securities) measured at fair value with impact on total profits	- 73,885	3,563,697
150.	Non-current assets and groups of assets in the course of divestment	-	-
160.	Share of valuation reserves of equity investments measured on the basis of shareholders' equity	-	-
170.	**Total other income components net of tax**	**- 1,262,539**	**3,413,658**
180.	**Overall profitability (line items 10+170)**	**6,837,461**	**16,613,658**

TABLE OF VARIATIONS TO SHAREHOLDERS' EQUITY

TABLE OF VARIATIONS TO SHAREHOLDERS' EQUITY AT 31/12/2020	Amounts As at 31/12/2019	Modification of opening balances	Amounts al 01/01/2020	Allocation of prior fiscal year result		Fiscal year variations								
							Transactions on shareholders' equity							
				Reserves	Dividends and other allocations	Variations of reserves	Issue of new shares	Purchase of treasury shares	Extraordinary Distribution of dividends	Variation capital instruments	Derivatives on treasury shares	Stock options	Overall profitability for the year at 31/12/2020	Shareholders' equity al 31/12/2020
Share capital:														
a) ordinary shares	**232.800.000**		232.800.000											**232.800.000**
b) other shares	**0**													**0**
Premiums on the issue of new shares	**803.240**		803.240											**803.240**
Reserves:														
a) from gains	**- 66.994.705**		- 66.994.705	13.200.000										**- 53.794.705**
b) other	**0**		0											**0**
Valuation reserves	**1.846.376**		1.846.376										**- 1.262.539**	**583.837**
Capital instruments	**0**		0							10.000.000				**10.000.000**
Treasury shares	**0**		0											**0**
Fiscal year profit (loss)	**13.200.000**		13.200.000	-13.200.000									8.100.000	8.100.000
Shareholders' equity	**181.654.911**	**0**	**181.654.911**	**0**	**0**	**0**	**0**	**0**	**0**	**10.000.000**	**0**	**0**	**6.837.461**	**198.492.373**

TABLE OF VARIATIONS TO SHAREHOLDERS' EQUITY AT 31/12/2019	Amounts al 31/12/2018	Modification of opening balances	Amounts As at 01/01/2019	Allocation of prior fiscal year result		Fiscal year variations								
							Transactions on shareholders' equity							
				Reserves	Dividends and other allocations	Variations of reserves	Issue of new shares	Purchase of treasury shares	Distribution of extraordinary dividends	Variation capital instruments	Derivatives on treasury shares	Stock options	Overall profitability At 31/12/2019	Shareholders' equity at 31/12/2019
Share capital:														
a) ordinary shares	**232,800,000**		232,800,000											**232,800,000**
b) other shares	**0**													**0**
Premiums on the issue of new shares	**803,240**		803,240											**803,240**
Reserves:														
a) from gains	**-70,220,097**		-70,220,097	3,500,000		-274,608								**-66,994,705**
b) other	**0**													**0**
Valuation reserves	**-1,567,282**		-1,567,282										3,413,658	**1,846,376**
Capital instruments	**0**													**0**
Treasury shares	**0**													**0**
Fiscal year profit (loss)	**3,500,000**		3,500,000	-3,500,000									13,200,000	**13,200,000**
Shareholders' equity	**165,315,861**	**0**	**165,315,861**	**0**	**0**	**-274,608**	**0**	**0**	**0**	**0**	**0**	**0**	**16,613,658**	**181,654,911**

CASHFLOW STATEMENT

	Amounts 31/12/ 2020	Amounts 31/12/ 2019
A. OPERATING ASSETS		
1 Management	**40,770,914**	**29,912,468**
- Fiscal year results (+/-)	8,100,000	13,200,000
- Gains/losses on financial assets held for trading and on other assets/financial liabilities measured at fair value with recognition of income effects through profit and loss (+/-)	- 669,629	- 2,246,642
- Gains/losses on assets used for hedging (+/-)	58,950	- 91,331
- Net adjustments/write-backs due to impairment (+/-)	28,856,390	10,344,791
- Net adjustments/write-backs of property, plants and equipment and intangible assets (+/-)	6,145,850	5,722,643
- Net allocations to risk and expense funds and other costs/income (+/-)	464,911	- 170,342
- Outstanding duties, taxes and receivables (+)	- 2,185,558	3,153,349
- Net adjustments/write-backs of groups of assets being divested net of tax (+/-)	-	-
- Other adjustments (+/-)	-	-
2 Liquidity generated/absorbed by financial assets	**- 240,399,113**	**- 31,817,911**
- Financial assets held for trading	14,278,242	44,729,257
- Financial assets measured at fair value	-	-
- Other assets obligatorily measured at fair value	- 9,434,906	- 10,324,026
- Financial assets measured at fair value with impact on total profits	164,020,155	33,875,524
- Financial assets measured at amortized cost	- 408,994,848	- 134,960,329
- Other assets	-267,756	34,861,663
3 Liquidity generated/absorbed by financial liabilities	**202,177,672**	**24,942,825**
- Financial liabilities valued at amortized cost	202,896,645	54,123,814
- Financial liabilities from trading	328,612	266,230
- Financial liabilities measured at fair value	-	-
- Other liabilities	- 1,047,586	- 29,447,219
Net liquidity generated/absorbed by operating assets	**2,549,473**	**23,037,382**
B. INVESTMENT ACTIVITIES		
1 Liquidity generated by	**774,163**	**325,085**
- Sale of equity investments	-	-
- Dividends received from equity investments	-	-
- sale of property, plants and equipment	774,163	325,085
- Sale of intangible assets	-	-
- Sale of branches of business	-	-
2 Liquidity absorbed by	**- 13,453,617**	**- 22,905,098**
- Purchase of equity investments	- 7,577,960	-
- Purchase of property, plants and equipment	- 3,978,448	- 21,250,113
- Purchase of intangible assets	- 1,897,209	- 1,654,985
- Purchase of branches of business	-	-
Net liquidity generated/absorbed by investment activities	**- 12,679,454**	**- 22,580,012**
C. FUNDING ACTIVITIES		
- Issues/purchases of treasury shares	-	-
- Issues/purchases of capital instruments	10,000,000	-
- Distribution of dividends and other purposes	-	-
-	**10,000,000**	**-**
NET LIQUIDITY GENERATED/ABSORBED DURING THE FISCAL YEAR	**- 129,981**	**457,370**

Key:
(+) generated (-) absorbed

Line items of the financial statements	Amounts	
	31/12/2020	31/12/2019
Cash and cash equivalents at the beginning of the fiscal year	14,038,230	13,580,860
Total net liquidity generated/absorbed during the fiscal year	- 129,981	457,370
Cash and cash equivalents: effect of variations of exchange rates	-	-
Cash and cash equivalents at the close of the fiscal year	14,908,240	14,038,230

Explanatory Notes

PART A – Accounting policies

A.1 - GENERAL PART

Section 1 – Statement of conformity to International accounting standards

The financial statements of Banca Cambiano 1884 s.p.a. were prepared in compliance with the IAS/IFRS1 international accounting principles issued by the International Accounting Standards Board (IASB) and the relative interpretations of the International Financial Reporting Interpretation Committee (IFRIC) approved by the European Commission and in force at 31 December 2020, transposed into Italian law by Legislative Decree n. 38/2005 that exercised the option provided for by EC Regulation n. 1606/2002 on the matter of international accounting standards .
The financial statements as at 31 December 2020 were prepared based on the instructions issued by Bank of Italy, exercising the faculties set forth in art. 43 of Italian Legislative Decree n. 136/2015, with Measure dated 22 December 2005 issuing Circular n. 262/05 "Banking financial statements: schedules and rules for preparation" , with subsequent updates on 18 November 2009, 21 January 2014, 22 December 2014, 15 December 2015, 22 December 2017, and 30 November 2018 and with the integrations issued on 15 December 2020. These instructions outline the obligatory schedules to the financial statements and the respective methods of preparation, as well as the contents of the Explanatory Notes.
The financial statements are composed of balance sheet, the income statement, the schedule of overall profitability, the table of variations to shareholders' equity, the explanatory notes and is accompanies by a report on operations. The schedules to the balance sheet and income statement are drawn up in Euro units and all other schedules and the tables in the explanatory notes are in thousands of Euro.
The accounting standards adopted to draw up the financial statements for the year 2020, as regards the stages of classification, recognition, valuation and derecognition of the various line items for assets and liabilities, and also as regards the methods for recognition of revenues and expenses, are unvaried with respect to the financial statements for the year 2019, with the exception of the changes made pursuant to the entry into effect, on 1 January 2020, of the new accounting principles outlined below.

Title of the document	Date of approval	Effective as of	Eu Regulation
Changes to references to the Conceptual frame work in IFRS	29/11/2019	01/01/2020	N. 2075/2019
Definition of "significant": Changes to IAS 1 and to IAS 8	29/11/2019	01/01/2020	N. 2104/2019
Reform of indexes of reference for the determination of interest rates: Changes to IFRS 9, to IAS 39 and to IFRS 7	15/01/2020	01/01/2020	N. 34/2020
Definition of a company asset (Changes to IFRS 3)	21/04/2020	01/01/2020	N. 551/2020
Changes to IFRS 16: forebearance on fees associated to the Covid 19 health emergency	09/10/2020	01/06/2020	N. 1434/2020

As regards the new standards or changes made to existing standards, no significant impacts were noted on the situation as at 31 December 2020.

IFRS and IFRIC Accounting standards, Amendments and Interpretations approved by the European Union not yet obligatorily applicable and not adopted in advance as at 31 December 2020

Title of the document	Date of approval	Effective as of	Eu Regulation
Extension of temporary exemption from application of IFRS 9– Changes to IFRS 4	15/12/2020	01/01/2021	N. 2097/2020
Reform of indexes of reference for the determination of interest	13/01/2021	01/01/2021	N. 25/2021

rates – stage 2: Changes to IFRS 9, to IAS 39, to IFRS 7, to IFRS 4 and to IFRS 16			

Section 2 – General principles for preparation

The financial statements are prepared in observance of the following general principles set forth in IAS 1:

- Going concern – The financial statements were prepared on a going concern assumption, regarding which there are no uncertainties;
- Accrual basis accounting – Revenues and expenses are booked, regardless of their monetary settlement, based on economic accrual and correlation criteria;
- Coherency in the presentation of the financial statements – The format and classification of the various items are kept the same from one financial year to the next, in order to guaranty the comparability of the information, save for changes required by an International Accounting Standard or an interpretation thereof, or even only so that another presentation or classification is deemed more appropriate in terms of relevance and reliability in the representation of the information;
- Relevance and aggregation – Each relevant class of similar items is distinctly set out in the financial statements. Items that are dissimilar in terms by nature or destination are presented separately, unless they are irrelevant;
- No compensation – Assets, liabilities, expenses and revenues are not compensated the ones with the others, unless required by an International Accounting Standard or by an interpretation or unless where expressly provided for by statement schedules for banks.
- Comparative information – Comparative information is provided for the previous financial period for all data illustrated in the schedules to the financial statements with the exception of those cases in which an International Accounting Standard or interpretation allows otherwise. Commentary and descriptive information is also provided, where this favours better comprehension of the financial statements in review.

The financial statements, where applicable, also take into account interpretation-type documents and documents in support of the application of the accounting standards with respect to the impacts of COVID-19, issued by regulatory and supervisory authorities and standard setters. As regards the main implications connected to the method of application of the international accounting standards (particularly IFRS 9), within the context of the Covid-19 pandemic, please refer to the specific section, “A.1 – General part – Other aspects” in Part A of these Notes.

Section 3 – Events subsequent to the date of reference of these financial statements

Subsequent to the preparation of the financial statements closed on 31 December 2020, there were no particularly noteworthy events such as to require modifying any of the approved, adjusting any of the results or providing any additional information. For greater details on the events subsequent to 31 December 2020, please see the respective section in the Board of Directors’ report on management.

Section 4 – Other aspects

The Bank’s financial statements were submitted to audit by the company Società Deloitte & Touche s.p.a..

Use of estimates and assumptions in the preparation of the financial statements for the fiscal year

Preparation of the financial statements is also based on estimations and assumptions that may have significant effects on the values registered in the income statement, as well as on the information regarding potential assets and liabilities recorded in the financial statements.
Calculating these estimations implicates the use of the information available and the application of subjective evaluations also based on acquired experience, used for the purpose of formulating reasonable assumptions regarding the relevance of management events. By their very nature, the estimations and assumptions used may vary from one period to another; therefore, it is not inconceivable that in subsequent fiscal years the values registered in the financial statements may differ even significantly, following changes in the subjective evaluations applied.
The main items for which the use of subjective evaluations on the part of the Bank is mostly required are:

- The quantification of losses due to loss in value of receivables and, in general, of other financial assets;
- The determination of the fair value of financial instruments to be used for the purpose of information on the financial statements;
- The use of evaluation models to determine the fair value of financial instruments not traded on an active market;
- The evaluation of the congruity of the value of goodwill and of other intangible assets;
- The quantification of personnel funds and risk and expense funds;
- Estimations and assumptions regarding the recoverability of deferred tax assets.

The description of the accounting policies applied on the main financial statement aggregates provides the details and information necessary to identify the main subjective assumptions and evaluations used to prepare the fiscal year financial statements. For further detailed information regarding the composition and the relative entry values of the items involved in the aforementioned estimations, please refer to the specific sections of the explanatory notes.

Risks, uncertainties and effects of the Covid-19 pandemic

The modified overall macro-economic framework for the sectors has required banks, starting in the 2020 fiscal year, to update the evaluation of credit risk, which has been conditioned to an extremely significant extent by the uncertainty tied to the evolution of the Covid-19 pandemic and the related containment measures, as well as by the entity of the duration of the public support measures.
The emergency has therefore forced the Bank to govern impacts on credit risks and the balance sheet calculations connected to said risk. On this matter, the Bank carried out analyses to identify the best manner of intervention of credit risk measurement and forecasting methods, in line with the current context but avoiding excessive pro-cyclicality in the definition of collective allocations, as also indicated by Regulators (among whom, specifically, ESMA and ECB).
The Bank implement the various measures dictated by the Italian Government (among which the suspension of repayment instalments for loans – the so-called "Covid-19 moratoria"), confirming its commitment to support both Business and Private customers and to simultaneously identify the best methods to represent the measures in question in the financial statements, in application of its accounting standards and Regulator provisions.
Some of the concepts related to the recognition, classification, measurement and derecognition criteria for "Financial assets measured at amortized cost", represented by granted loads, adopted to prepare the financial statements of the fiscal year as at 31 December 2020, which were used as reference to address the consequences of the Covid-19 pandemic are outlined following.
For the other recognition, classification, measurement, derecognition criteria relating to income components for balance sheet line items, please refer to Part A.2 of the Explanatory Notes.
In fact, the Bank did not deem it necessary to intervene further on criteria for the evaluation of balance sheet line items disciplined, in particular by IFRS 16, by IAS 19 an by IFRS 2, considering the effect of the Covid-19 pandemic on such evaluations to be insignificant.
As regarding evaluations disciplined by IAS 36, please refer to the comments relating to Intangible assets with an indefinite useful life, specifically in information provided in Part B relating to impairment tests on goodwill.

Contract modification deriving from Covid-19

1) Contract modifications and accounting derecognition (IFRS9)

The Bank adopted a policy that disciplines how to manage contract modifications relative to financial assets.
In accordance with EBA requirements set forth in the "Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis" dated 4 April 2020, moratoria granted to customers by law and in application of category agreements (ABI Agreements), were not considered indicators of financial difficulty for the purpose of classification of the individual exposures within the scope of forborne exposures (and consequently to the included in Stage 2).
Internal moratoria (a marginal amount on the total moratoria and equal to 1.3 million euro as at 31/12/2020), granted to customers in a specific Bank intervention, were granted on simple request by the customers and in a "standardized" manner. In this respect, it may be stated that internal moratoria had similar characteristics to those required by law and, therefore, were not granted for the purpose of assisting financial difficulties. Moreover, the Bank performs continuous qualitative and quantitative analyses on the entire scope of internal moratoria, in order to verify the existence of temporary previous difficulty (looking at the last 6 months of 2019), that would have required credit risk mitigation measures, the possible classification in Stage 2 of the counterparties and the respective ECL increase.

2) Amendment to the IFRS 16 accounting principle

The amendment made to IFRS 16 regarding contract modifications for passive leasing agreements made to take into account the situation caused by the Covid-19 pandemic did not have any significant effects on the Bank, as no modifications were made to passive leasing agreements during the 2020 fiscal year caused by the spread of the pandemic.

Accounting estimations– Overlay approach applied to the assessment of credit risk

1) <u>Valuation of significant increase of credit risk (SICR)</u>

The intervention resulting from the crisis situation deriving from the Covid-19 pandemic on the SICR model adopted by the Bank lies essentially in the implementation of the EBA provisions, issued during the course of 2020, regarding the management of moratoria (“by law” and by category), by introducing corresponding and compliant indications to internal procedures and processes.
More specifically, as regards the application of the EBA guidelines to Covid-19 moratoria, the Bank created specific internal regulations, issued through circulars, regarding the methods to be used to analyze counterparties requiring the moratorium or renewal thereof, with precise updates at issue of new EBA publications, in April, September and December 2020.
Consequently, the processes required to identify forbearance measures case-by-case, which had been suspended only for moratoria granted “by law” and by system from march to September 2020, were reinstated.

2) <u>Measurement of expected losses</u>

As regards the calculation of expected losses as at 31 December 2020, the Bank incorporated the macro-economic scenarios integrating the effects of the COVID-10 health emergency, into its IFRS 9 impairment model, in line with the requirements set forth by the Supervisory Authority.
The estimation of forward looking elements to be included in the calculation of expected losses, in application of IFRS 9, developed by the IT outsourcer, and the macro-economic variables underlying the estimation of the base, best case and worst case scenarios used to determine the IFRS 9 ECL, are provided by the external service provider.
The model develops 3 scenarios for inclusion of forward looking elements in the calculation of expected losses, and as at 31/12/2020 the worst case scenario was applied.
Furthermore, the positions subject to moratoria, along with public-back lending (in the measure of 80, 90 or 100%) provided for by emergency legislation, were analysed by the Bank’s Risk Management Function, which lead to the approval of a specific ECL add-on € 8.8 million by the Board of Directors.
The estimation of the impact of the pandemic on the 2020 financial statements was made by simulating the “sliding” to 12 months in Stage 3 of moratoria loans and Government granted loans, both in Stage 2 in the 2020 financial statements, applying Probability of Default (PD) at 12 months, classified by sector. In particular:
to the higher risk sectors – defined as such on the basis of data contained in the Bank of Italy analysis titled “Covid-19 Notes – The effects of the pandemic on liquidity demand, on balance sheet and on the risk profiles of businesses” dated 13 November 2020 (hereinafter also referred to as "Covid 19 Notes"), and of the specificity of the Bank’s lending portfolio (agriculture, artistic activities, commerce, construction, real estate, food industry, textiles, other and accommodations and dining services) – a PD at 12 months equal to 100% was applied 100%, therefore hypothesizing that all loans with moratorium pending in said sectors will migrate within the next 12 months from Stage 2 to Past Due; to the other sectors, a variation to the PD at 12 months equal to that existing between the PD of the “pre-shock” scenario and the “post-shock” scenario was applied, as per the aforementioned Covid-19 Notes issued by Bank of Italy, divided by sector.
In this way, therefore, a migration to Stage 3 in 2021 of 8.22% of the overall amount of lending in moratorium and of 6.47% of government-backed loans classified in Stage 2, was hypothesized. The volume of write-downs thus calculated (+ 6.5 Million euro/€ on moratoria lending and +2,2 Million euro/€ on government-backed loans comprehensive of forward looking components on the positions being examined) was included as an add-on already on write-downs on receivables as at 31/12/2020; the impact of including forward looking components in the PD in other in bonis exposures, amounting to 967 thousand euro, is added to this.

A.2 – PART RELATED TO THE PRINCIPLE LINE ITEMS OF THE FINANCIAL STATEMENT

1. Financial assets measured at fair value with recognition of income effects through profit and loss (FVTPL)

Classification criteria

This line item includes all financial assets other than those classified in the portfolio of financial assets measured at fair value with impact on total profits and in the portfolio of financial assets measured at amortized cost. Specifically, this line item includes:

- le financial assets held for trading, represented by debt securities, capital Securities, lending, shares of CIUs and the positive fair value of derivative contracts, purchased and held for sale in the short-term to generate revenue from trading. This category also includes capital instruments, not qualified as control, joint-control or connection and for which were not designated at fair value with impact on total profits on initial measurement;
- assets measured at fair value, such as debt Securities or lending, as defined at the moment of initial measurement, were the prerequisites required by IFRS 9 do not exist;

- other financial assets obligatorily measured at fair value, represented by debt securities, lending and shares of CIUs, that do not meet the requirements for measurement at amortized cost or at fair value with impact on total profits. These are, substantially, financial assets with contract terms that do not allow passing the so-called “SPPI test” or that are not held within the framework of a “Held to Collect” or “Held to Collect and Sell” business model.

The general rules regarding the reclassification of financial assets outlined by IFRS 9 do not allow reclassification of financial assets in other categories unless the entity modifies its business model for the management of financial assets. In such cases, not frequent however, the financial assets may be reclassified from the current category in one of the other two categories provided for by the principle (financial assets measured at amortized cost or financial assets measured at fair value with impact on total profits) and the carrying amount will be represented by the fair value at the moment of reclassification. The effects of the reclassification will be prospective starting from the date of reclassification In this case, the effective interest rate of the reclassified financial asset is determined based on its fair value at the date of reclassification and this date is considered the date of initial measurement for al location to the various credit risk stages for the purpose of impairment.

For more information regarding financial asset classification criteria, please consult the next section, “Financial asset classification criteria”.

Recognition criteria

Financial assets are initially recognised at the date of settlement for debt Securities, at the date of granting for lending and at the date of undersigning for derivative contracts. Financial assets measured at fair value with recognition of income effects through profit and loss are initially recognised at their fair value, which generally corresponds to the amount paid. Any costs/income for the transaction directly attributable to the instrument itself, incurred or collected in advance and that do not represent recovery of expenses (such as brokerage fees, placement, stamp duties, etc.) are instead recognised in the income statement.

Measurement criteria

Subsequent to initial recognition, financial assets measured at fair value with recognition of income effects through profit and loss are valued at fair value. The effects of the application of this measurement criteria are allocated to the Income Statement. The fair value of financial assets listed in active markets is determined with reference to market listings. In the absence of an active market, estimates and measurement models are used that take into account all the risk factors correlated to the instruments. For capital securities and derivative instruments based on capital securities, that are not listed on an active market, cost is used to estimate fair value only residually and limited to just a few circumstances.

Derecognition criteria

Financial assets are derecognised when the contract rights on cash flows deriving from the assets in question expire, or when the sale of the assets has substantially transferred all the related risks and benefits.

Criteria for recognition of income components

Profit and loss deriving from variations in fair value of financial assets held for trading are recognised for overall “imbalance” at line item 80 “Net trading result” in the income statement, including those relative to derivative instruments, while profit and loss deriving from variations in fair value of financial assets measured at fair value and financial assets obligatorily measured at fair value are recognised for overall “imbalance ” at line item 110, including the results of measurement at fair value of such assets.

2. Financial assets measured at fair value with impact on total profits (FLINE ITEMS)

Classification criteria

This line item includes all financial assets that meet two requirements: they are held based on a “Held to Collect and Sell” business model and the contract terms provide for cash flows represented solely by repayment of principal and interest, so the so-called “SPPI test” is passed. In order for a financial asset to be classified in this category or in the category of financial assets at amortized cost (see the next point), in addition to satisfying the business model requirement for which it was purchased, the contract terms of the asset itself must provide for cash flows represented solely by repayment of principal and interest on principal amount to be repaid at fixed dates (“Solely Payment of Principal and Interest” - SPPI). The SPPI test must be performed on recognition of the asset in the balance sheet while, subsequently to initial recognition and as long as the asset is booked in the balance sheet, it is not longer subject to new measurement for the purpose of the SPPI test. This line item also includes capital instruments not held for trading for which, on initial recognition, the option to recognize at fair value with impact on total profits was exercised.

For greater information regarding the classification criteria for financial instruments, please consult the next section, “Classification criteria of financial assets”.

Recognition criteria

Financial assets measured at fair value with impact on total profits are recognised in the balance sheet at fair value, which generally corresponds to the paid amount. Any trading costs/income directly attributable to the asset, incurred or received in advance and that do not represent recovery of expenses, are capitalized on the initial value.

Measurement criteria
Subsequent to initial recognition, assets classified at fair value with impact on total profits continue to be measured at fair value. For capital securities not listed on active markets and included in this category, the cost criterion is used to estimate the fair value only residually and limited to a small number of circumstances.
Derecognition criteria
Financial assets are derecognised when the contract rights on cash flows deriving from the assets in question expire, or when the sale of the assets has substantially transferred all the related risks and benefits.
Criteria for recognition of income components
As regards debt securities, gains/losses are recognised in shareholders' equity reserves until the financial asset is derecognised, save for the effects of impairment and any exchange rate effect, which are recognised in the income statement. On disposal, the cumulative gains or losses are recognised in the income statement under item 100 "Gains/losses from disposal or repurchase". Loss in value is booked at line item 130 of the income statement "Net adjustments/write-backs due to impairment". Increases in value due to the passage of time are booked in the income statement as earned interest. Capital instruments for which the option to classify in this category has been exercised, are recognised at fair value (or, residually, at cost if the fair value cannot be calculated) and the amounts booked as a contra-entry for shareholders' equity will not be transferred to the income statement, even if they are sold. As provided for by IFRS 9, the only component connected to these instruments that is recognised in the income statement is represented by the respective dividends.

3. Financial assets measured at amortized cost
Classification criteria
This category comprises financial assets that meet both the following requirements:
- the objective of the relative business model is the collection of contractual cash flows ("HTC" business model);
- the contractual terms of the financial asset provide solely for repayment of principal and payment of interest on the amount of principal to be repaid at fixed dates (so-called "SPPI test" passed).

More specifically, this line item includes:
- lending to banks that meets the above requirements;
- lending to customers that meets the above requirements;
- debt securities that meet the above requirements.

Based on the general rules set out in IFRS 9 regarding the reclassification of financial assets reclassification to other categories of financial assets is permitted only if the entity changes its business model for management of financial assets. In such cases, which are expected to be highly infrequent, financial assets may be reclassified from the category of financial assets measured at amortized cost to one of the other two categories provided for by IFRS 9, "Financial assets measured at fair value with impact on total profits" or "Financial assets measured at fair value with recognition of income effects through profit and loss". The carrying amount is represented by the fair value at the reclassification date and the effects of the reclassification shall be prospective starting from the reclassification date. Gains and losses resulting from the difference between the amortized cost of the financial asset and the respective fair value are recognised in the income statement in case of reclassification to "Financial assets measured at fair value with recognition of income effects through profit and loss" and in Shareholders' equity, in the specific revaluation reserve, in case of reclassification to "Financial assets measured at fair value with impact on total profits". For more information regarding financial asset classification criteria, please consult the next section, "Financial asset classification criteria".
Recognition criteria
Financial assets are initially recognised at the date of settlement as regards debt securities and at the date of disbursement as regarding loans. On initial recognition, assets are booked at fair value, comprehensive of transaction costs or income directly attributable to the instrument itself.
Measurement criteria
Subsequent to initial recognition, these assets are measured at amortized cost using the effective interest rate method. Thus, the asset is recognised in the balance sheet for an amount equal to the initial value of recognition less repayment of principal, plus or minus cumulative amortization (calculated using the above-mentioned effective interest rate method) of any difference between the amount disbursed and the amount payable on maturity (typically comprising costs/revenues attributable directly to the asset) and adjusted based on any hedging for losses. The effective interest rate is determined by calculating the rate equal to the current value of future cash flows for the asset, both principal and interest, on the sum disbursed, comprehensive of costs/revenues attributable to the asset itself. This accounting method, based on financial logic, allows distributing the economic effect of costs/revenues directly attributable to a financial asset along its entire expected residual life. The amortized cost method is not used for short-term assets measured at historic cost where discounting is deemed to have a negligible effect, for those with a fixed payment date and for those that are repayable on demand. Measurement criteria are closely connected to the inclusion of the instruments in question in one of the three credit risk stages provided for by IFRS 9, the last of which (stage 3) comprises impaired financial assets, while the first two (stages 1 and 2) comprise performing financial assets. As regards the

booking of the aforementioned measurement effects, the value adjustments related to this type of asset are booked to the income statement:
- on initial recognition, for an amount equal to the expected loss at twelve months;
- on the next valuation of the asset, where the credit risk has not increased significantly with respect to initial recognition, in relation to the amount of value adjustments for expected losses over the next twelve months;
- on the next valuation of the asset, where the credit risk has increased significantly with respect to initial recognition, in relation to the amount of value adjustments for expected losses over the asset's entire residual contractual life;
- on the next valuation of the asset, where the credit risk has increased significantly with respect to initial recognition, where the "significance" of the increase has subsequently ceased to exist, in relation to the correction of cumulative value adjustments to take into account passing from expected loss over the entire residual life-time of the instrument to expected losses over a period of twelve months. If the financial assets in question are performing assets, they are subject to valuation, aimed at defining the value adjustments to be recognised in the balance sheet, as individual receivables or securities, based on parameters represented by probability of default (PD), loss given default (LGD) and exposure at default (EAD) specifically provided for by the IFRS 9 accounting principle. If, in addition to a significant increase of the credit risk, there is also objective evidence of a loss of value, the amount of the write-down is measured as the difference between the balance sheet value of the asset, classified as "impaired", as for all other positions with the same counterparty, and the current value of expected future cash flows, discounted by the original effective interest rate. The amount of the write-down, to be recognised in the income statement, is defined based on an analytical measurement process or determined by category and, therefore, analytically attributed to each position and takes into account forward looking information and possible alternative recovery scenarios. Impaired receivables include financial instruments those that are considered non-performing, probably non-performing or overdue/past-due for more than ninety days, as per Bank of Italy regulations, in compliance with IAS/IFRS and European regulatory regulations. Expected cash flows take into account forecast recovery times and the estimated realizable value of any collateral. If the reasons for write-down are removed following an event occurring subsequent to recognition of the write-down, write-backs are entered in the income statement. Value recovery cannot exceed the amortized cost that the financial instrument would have had without the previous adjustments. Reversal of impairment loss due to Value recoveries connected to the passage of time are booked to the income statement. In some cases, during the life of the financial assets in question and, specifically, of receivables, the original contractual conditions are modified by the contract parties. If the contractual clauses are modified during the life-span of a financial instrument, it must be ascertained whether the original asset must continue to be recognised in the balance sheet or if, to the contrary, the original asset should be derecognised, with recognition of a new financial instrument. In general, changes to a financial asset lead to derecognition of the asset and recognition of a new asset when the changes in question are "substantial". The analyses (qualitative and quantitative) aimed at defining the "substantiality" of contract modifications made to a given financial asset must, therefore, take into account the reason for the changes in question, for example, renegotiation for commercial reasons and renegotiation for financial difficulty of the counterparty. The first type of renegotiation, aimed at "holding onto" the customer, involve a debtor who is not in financial difficulty. These situations include all renegotiations aimed at adjusting the burden of the debt to market conditions. These operations entail a variation of the original contract conditions, usually by requested by the debtor, regarding aspects related to the cost of the debt, with a consequent economic benefit for the same debtor. Generally speaking, it is our opinion that every time the bank renegotiates in order to avoid losing a customer, the renegotiation should be considered substantial in that, were it not carried out, the customer could seek financing from another broker and the bank would suffer a loss of expected future revenue. The second kind, carried out for "credit risk reasons" (forbearance measures), are the bank's attempt to maximize recovery of the cash flow of the original receivable- The underlying risks and benefits, subsequent to the changes, are generally not transferred and, consequently, the accounting representation that provides the most relevant information for balance sheet interpretation is through "modification accounting", that entails recognition in the income statement of the difference between booking value and current value of the modified cash flow discounted by the original interest rate and not through derecognition.
In accordance with provisions outlined by the EBA in the "Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis" dated 4 April 2020, moratoria granted to customers *ex lege* and in application of category agreements (ABI agreements), are not considered indicators of financial difficulty for the purpose of the classification of individual exposures within the scope of forborne exposures (and, consequently, for inclusion in Stage 2).

Derecognition criteria
Financial assets are derecognised only if the sale of the assets has substantially transferred all the related risks and benefits. Contrarily, if a significant amount of risks and benefits related to sold financial assets is retained by the transferor, the assets in question will continue to be recognised on the balance sheet, even though the official title has been transferred. If ascertaining the substantial transfer of risks and benefits is not possible, the financial assets are derecognised from the financial statements if no control whatsoever is retained over the assets in question. Contrarily, retention, even in part, of

control entails recognition of the assets in the balance sheet for the amount equal to the residual participation, measured by exposure to changes in value of the transferred assets and to the variations of asset cash flows.

Recognition of income components

As regards instruments measured at amortized cost (receivables from banks and receivables from customers), interest is calculated using the effective interest rate, that is, the rate that exactly discounts cash flows during the expected life of the instrument (IRR rate).

The IRR, and therefore the amortized cost, are determined taking into consideration any discounts or premiums on purchase, costs or fees that are an integral part of the amortized cost.

Interest on impaired receivables are calculated on the net exposure of the Expected Credit Losses.

Value adjustments or write-backs, deriving from the Expected Credit Losses model that has been adopted, are booked in the income statement at line item “Net adjustments/write-backs due to impairment”.

Any amounts deriving from adjustments made to book values for financial assets so as to reflect the modifications made to contract cash flows that do not result in booking derecognition, are booked in the income statement within the item “Profits/losses due to contract modifications without derecognition”.

4. Hedges

Banca di Cambiano 1884 s.p.a. avails itself of the faculty, provided for on introduction of the IFRS 9 accounting principle, to continue to fully apply the provisions of the IAS 39 accounting principle regarding hedge accounting for all types of hedging transactions.

Classification criteria

Risk hedging transactions are aimed at neutralizing potential losses, attributed to a given risk and measured on a given element or group of elements, where the particular risk in question should manifest itself. The following types of hedging transactions are used:

- fair value hedging aims to hedge exposure to changes in the fair value of assets and liabilities entered on the balance sheet, or quotas thereof, as permitted by IAS 39 and approved by the European Commission. General hedging of fair value (“macro hedge”) aims to reduce fluctuations, in the fair value, attributable to interest rate risks, of a monetary amount, deriving from a portfolio of financial assets or liabilities;
- cash flow hedging aims to hedge exposure to variations in future cash flow attributable to specific risks associated to balance sheet items;
- currency investment hedging refers to hedging foreign currency exposure of investments in foreign enterprises.

Recognition criteria

Hedge instruments, like all derivatives, are initially recognised and subsequently measured at fair value.

Measurement criteria

Hedge instruments are measured at fair value. For fair value hedges, fair value variations of the hedged element are offset by the fair value variations of the hedging instrument. This compensation is recognised by entry in the income statement of the variations in value, of both the hedged element and the hedging instrument. Any difference, which represents the partial ineffectiveness of the hedge, is therefore the net economic effect. For generic fair value hedges (“macro hedge”), the fair value variations referred to the hedged exposure of the assets and liabilities being hedged are allocated to overall profitability, respectively to line item 60 “Adjustment of value of generic hedges for financial assets” or to line item 50 “Adjustment of value of generic hedges for financial liabilities”. As regards cash flow hedges, variations in the fair value of the derivative are allocated to shareholders’ equity, for the effective quota of the hedge, and are recognised in the income statement only when, with reference to the hedged item, there are cash flow variations to be offset of if the hedge is ineffective. Currency investment hedges are booked in the same way as cash flow hedges. The derivative instrument is designated as a hedge if the hedge relationship between the hedged instrument and the hedging instrument is formally documented and if it is effective from the time hedging initiates and, prospectively, for its entire duration. Hedge effectiveness depends on the extent to which variations of fair value of the hedged financial instruments of relative expected cash flows are offset by those of the hedging instrument. Therefore, effectiveness is determined by comparing the above variations, taking into the account the intent of the company when the hedge was initiated. A hedge is effective when the variations in fair value (or in the cash flows) of the hedge financial instrument almost entirely sterilize, that is within the range of 80-125%, the variations of risk of the hedged instrument. An effectiveness test is conducted at the close of financial statements. The measurement of effectiveness is performed at each balance sheet closing date. If a generic fair value generic hedge relationship is interrupted, cumulative value adjustments/write-downs entered at line item 60 “Adjustments of value of generic hedges for financial assets” or 50 “Adjustment of value of generic hedges for financial liabilities” are recognised in the income statement as earned interest or interest expenses for the residual duration of the original hedging relationship, provided that the hedging requirements continue to exist.

5. Equity investments

Classification criteria

Shareholdings that entail control, joint control of significant influences are allocated to the equity investments portfolio. Control is presumed when more than 50% of the voting rights that can be exercised at shareholders' meetings are held, either directly or indirectly. Significant influence is exercised when the shareholder holds, directly or indirectly, a share equal to or greater than 20% of the voting rights. Significant influence is also exercised in the case of a holding of less than 20% when the following circumstances exist: a) representation on the board of directors; b) participation in the decision-making process with reference to decisions regarding dividends; c) there are major operations between the investor and the subsidiary. Joint control is when voting rights and control of the subsidiary is shared with other parties.

Recognition criteria

The line item includes equity investments in subsidiaries, jointly held companies or companies subject to significant influence. At the time of initial recognition, such equity investments are recognised at purchase cost, supplemented by directly attributable costs.

Measurement criteria

Equity investments are measured with continuity using the "equity" method. Equity investments in subsidiaries, jointly held companies or companies subject to significant interest are measured at cost, and the accounting value increases or decreases to reflect the share of subsidiary profits or losses, realized after the purchase date, to which the shareholder is entitled. The dividends received from a subsidiary reduce the accounting value of the shareholding. Adjustments to the accounting value might be required due to modifications of the share owned by the investor in the subsidiary, deriving from modifications of the shareholders' equity of the subsidiary.

Derecognition criteria

Financial assets are derecognised when the contractual rights to the cash flows deriving from such assets expire or when the financial asset is sold, transferring all of the risks and benefits connected to it.

Criteria for recognition of income components

Dividends paid by the subsidiary and generated subsequent to the purchase date are allocated to line item 220 of the income statement, "Profit/loss from equity investments". The result of the measurement of "shareholders' equity" are recognised in line item 220 of the income statement, "Profit/loss from equity investments" when they were included in the income statement of the subsidiary; when, instead, they were not included in the income statement of the subsidiary, they are allocated to Liability line item 110 "Valuation reserves". Profit or loss deriving from the sale of equity investments are recognised in line item 220 of the income statement, "Profit/loss from equity investments".

6. Property, plants and equipment

Recognition criteria

Property, plants and equipment, both instrumental and not, are initially recognised at a value equal to the cost, comprehensive of all costs directly connected to the putting into use of the asset and non-recoverable purchase taxes and duties. The value is subsequently increased of costs incurred for which future benefits are expected. The costs of ordinary maintenance on the asset are recognised in the income statement of the year during which they are incurred.

Measurement criteria

After initial recognition, property, plant and equipment are recognised in the financial statements at cost net of accumulated depreciation and losses of value. Property, plants and equipment are systematically depreciated in every fiscal year based on their useful life, using the straight-line method. The following categories are not subject to depreciation:

- Land, be it purchased separately or incorporated in the value of buildings, in that considered assets with an indefinite useful life. If the value of the land is incorporated in the value of the buildings, it is considered an asset separable from the real properly; the value of the land is separated from the value of the buildings, determined on the basis of specific independent expert appraisals only for "from the earth to the sky" buildings;
- Art work, which has an indefinite useful life and a value that is generally destined to increase over time.
- The depreciation process begins when the asset becomes available for use.

Property, plants and equipment purchased through financial leasing agreements

IFRS 16 is based on the concept of transfer of the right to use a leased asset; therefore, the contract is, or contains, a lease if, in exchange for compensation, it confer the right to control use of a specific asset for a given period of time. This concept broadens the scope of application of the standard that was adopted to book rental, hire, lease and other similar agreements. The principle cancels the accounting dualism between financial leases and operating leases for lessees, defining a single accounting model that requires recognizing:

- A right o fuse in the assets of the balance sheet (Right of Use, RoU);
- A lease liability in the liabilities of the balance sheet (Lease Liability, LL);
- In the income statement, the amortization of the right o fuse and the financial charges calculated on the lease liability.

At initial recognition, the lease liability is equal to the current value of payments due for the lease, discounted at the implicit rate of interest for the lease, where it can be calculated easily, or alternatively at the Bank's incremental borrowing rate. At initial recognition, the right o fuse is equal to the initial measurement of the lease liability, increased of the payments due for the lease settled at or prior to the date of coming into effect, net of lease incentives, initial direct costs incurred by the lessee and the estimated costs that the lessee will have to sustain to dismantle or remove the asset or restore it to the conditions provided for in the contract. The right o fuse and the lease liability must be booked in property, plants and equipment and the lease liability at amortized cost.

Derecognition criteria

Property plants and equipment are derecognised when sole or retired from use or when subsequent to sale it is not expected to generate future economic benefits.

Criteria for recognition of income components

Systematic depreciation is allocated to the income statement at the line item "Net adjustments/write-backs of value to property, plants and equipment". In the fiscal period in which the asset is recognised for the first time, the depreciation rate applied takes into account the date in which the asset is available for use. Gains and losses deriving from disposal of property, plant and equipment are calculated as the difference between the net sale price and the asset's carrying amount, and are recognised in the income statement at the same date as the write-off from accounts. The line item "Gains/losses on disposal of investments" is the balance, positive or negative, between gains and losses from the disposal of property, plant and equipment.

7. Intangible assets

Classification criteria

Intangible assets include non-monetary assets without physical substances held to be used for a multi-year or indefinite amount of time, which meet the following characteristics:

- Identifiable;
- Under control of the company;
- Capable of generating probable future economic benefits for the company;
- The cost of the asset may be measured reliably.

In absence of one of the aforementioned characteristics, the cost to purchase or generate the same internally is registered as a cost in the fiscal year in which it was sustained. Intangible assets include, in particular, application software for multi-year use and other identifiable assets that arise from legal or contractual rights. Expenses for improvements to third party assets (branch offices being rented) were recognised in Asset line item 150 "Other assets"; the relative amortization was proportional to the duration of the leases. Within the scope of a company merger, the IFRS3 principle establishes that at the date of purchase of the control, the purchaser must classify or designate the purchased intangible assets. As regards the definition of intangible elements, the principle identifies intangible elements purchased in company merger as identifiable non-monetary assets with no physical substance. Goodwill is represented by the positive difference between the purchase cost and the fair value of assets and liabilities acquired within the scope of the company merger.

Recognition criteria

Intangible assets are recognised at cost, adjusted for accessory costs sustained to prepare for use of the asset. Within the scope of a company merger, the purchaser must classify or designate the intangible assets acquired, and recognize them at fair value. Goodwill, recognised in the assets at the date of purchase, is initially valued at cost. On a yearly basis, or any time there is evidence of impairment, an impairment test will be carried out on the adequacy of goodwill, in conformity with the provisions of IAS n. 36. The amount of the impairment loss is calculated as the negative difference, if any, between the goodwill value recorded and its recoverable amount. This recoverable amount is equal to the greater between the fair value of the cash-generating unit, net sale price of the asset, and its usage value. The resulting value adjustment are recognised in the income statement at item "Adjustments to value of goodwill". Any impairment loss recognised for goodwill cannot be derecognised in the subsequent fiscal year.

Measurement criteria

Subsequent to initial recognition, intangible assets of limited duration are recognised at cost, net of accumulated amortization and of accumulated impairment loss. Amortization begins when the asset becomes available for use, that is to say, when it is in the appropriate place and in suitable conditions to operate in the expected manner, and ceases when the asset derecognised. Amortization is calculated using the straight-line method, so as to reflect the multi-year use of the asset based on the estimate made of the residual useful life. At the end of each fiscal year, if there is evidence of impairment, the recoverable value of the asset is estimated. The write-down, recognised in the income statement, is equal to the difference between the asset's carrying amount and its recoverable value.

Derecognition criteria

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

Criteria for recognition of income components

Both amortization amounts and any adjustments/write-backs due to the impairment of intangible assets, other than goodwill, are allocated to line item "Net adjustments/write-backs of intangible assets" of the income statement. Value adjustment for goodwill are allocated to line item "Adjustments to value of goodwill". Gains and losses deriving from disinvestment or disposal of intangible assets are calculated as the difference between the asset's net sale price and carrying amount and are recognised in the income statement. The item "Gains (losses) from the disposal of investments includes the balance, positive or negative, between gains and losses from the disposal of investments.

8. Other assets

Other assets essentially include items awaiting allocation and entries that cannot be allocated to other line items of overall profitability, among which, receivables deriving from the supply of non-financial goods and services, fiscal entries other than those allocated to the respective line item, and accrued income and prepayments other than those capitalized on the respective financial assets. The Bank has included among other assets tax receivables for tax bonuses purchased on disposal by the direct beneficiaries or previous purchasers, connected to the "Cura Italy" and "Rilancio" decrees (refer to the section "other information").

9. Non-current assets or groups of assets/liabilities in the course of divestment

This item includes non-current assets destined to be sold. These assets are measured at the lesser value between the booking value and fair value, net of sale expenses. If they have been subject to amortization, this process also ceases with the sale. As they are sold operating elements, balance sheet items and the relative economic results are shown separately in the balance sheet and in the income statement. As at the date of these financial statements, the Bank holds no assets that fall under this category.

10. Current and deferred taxation

This line item includes:

- Current tax receivables;
- Pre-paid tax receivables in the income statement;
- Tax receivables in shareholders' equity;
- Current tax liabilities;
- Deferred tax liabilities deferred in the income statement;
- Deferred tax liabilities in shareholders' equity.

Classification criteria

Current tax assets and liabilities.

Current taxes for the fiscal year and for previous fiscal years, to the extent to which they have not been paid, are recognised as liabilities; any amount paid in excess of the amount due is recognised as an asset.

Deferred tax assets and liabilities

Pre-paid tax assets, relative to momentary deductible differences or to future tax benefits resulting from the carry-forwards of tax losses, are booked in the balance sheet to the extent that there is a probability of recovery, measured on the basis of the capacity of the company involved or of the untaxed reserves, consolidating company, by effect of the option regarding the so-called "national fiscal consolidation", to continue to taxable income in future fiscal years. Deferred tax liabilities are booked in the balance sheet, with the sole exception of the higher values of the asset represented by untaxed reserves, in that the available taxed reserves are such that it may reasonably be held that transactions that require their taxation will not take place. Pre-paid and deferred tax assets are recorded in the balance sheet, without offsets, respectively as "Tax receivables" and "Tax liabilities".

Recognition and measurement criteria

Effects relative to current, pre-paid and deferred taxes are recognised by applying the current tax rates or, where known, the expected tax rates. Provisions for income taxes are calculated based on a prudential estimation of the current tax charge, the pre-paid charge and the deferred charge. Specifically, pre-paid and deferred taxes are calculated based on the momentary differences and without time limits between the value attributed to an asset or liability according to civilistic criteria and the corresponding values taken for tax purposes.

Derecognition criteria

Tax assets and liabilities, both current and deferred, are appropriately reversed on settling the tax payments and/or when there are changes to existing tax legislation.

Criteria for recognition of income components

Income tax is recognised in the income statement, with the exception to taxes relative to items debited or credited directly to shareholders' equity.

11. Risk and expense funds

Funds are defined as a liability with an uncertain maturity date or amount. Risk and expense funds are subdivided into:

- Risk and expense funds related to commitments and issued guarantees. This sub-item includes provisions for commitments to disburse funds and issued guarantees that fall within the perimeter of application of impairment regulations pursuant to IFRS 9. For these cases, le same allocations methods are adopted for the various credit risk stages and calculation of losses as already described in reference to financial assets measured at amortized cost;

- Funds for pensions and similar commitments. These funds are constituted pursuant to company agreements and are identified as "defined benefit assets". Liabilities relating to these plans are determined based on actuarial assumptions, applying the "projected unit credit" method. Actuarial gains and losses, deriving from variations in the current value of the commitment due to changes in the actuarial assumptions, are recognised in the schedule of overall profitability;
- Other risk and expense funds. Other risk and expense funds are represented by other provisions regarding legal obligations or obligations connected to work relationships or controversies, including tax claims. The provision is recognised in accounting if and only if there is a current obligation (legal or implicit) resulting from a past event and it is probable that in order to fulfil the obligation it will be necessary to use resources to produce economic benefits and a reliable estimation may be made of the amount deriving from fulfilment of the obligation. The amount registered as provision represents the best possible estimate of the resources required to settle the existing obligation as at the date of reference of the financial statements and reflects the risks and uncertainties that inevitably characterize a plurality of facts and circumstances. The amount of the provision is represented by the current value of the expenses that it is expected will be necessary to fulfil the obligation, where the effect of the current value is a significant aspect. The future facts that may influence the amount required to fulfil the obligation are taken into consideration only if there is sufficient objective evidence that said events will occur.

12. Financial liabilities measured at amortized cost

Classification criteria

Payables to banks, payables to customers, outstanding securities and other financial liabilities include the various forms of interbank and customer funding, as well as liabilities for financial leases. In particular, the sub-item "Outstanding securities" include Securities issued (including subordinate loans, savings certificates, certificates of deposit), net of repurchases.

Recognition criteria

These financial liabilities are initially recognised on the date of receipt of the deposited sum or of the issue of the debt securities. The liabilities are initially recognised at their fair value, generally equal to the amount collected or to the issue price, increased by any additional costs or revenues directly attributable to the individual funding or issue transaction and not reimbursed by the creditor. In-house administrative costs are not included in the item. The fair value of financial liabilities issued at conditions inferior to market conditions, relative to listed Securities, is subject to a specific estimation and the difference with respect to the market value is booked directly in the income statement. As regards payables for leases, at the effective as of date for the lease agreement, the Bank measures the financial liability based on the current value of future payments due for the lease. They payments are discounted using the implicit lease interest rate.

Measurement criteria

After initial recognition, financial liabilities are valued at amortized cost using the effective interest rate method, with the exception of short-term liabilities, for which the time factor is negligible and which, therefore, continue to be entered at the collection value and for which any attributable costs are booked in the income statement linearly for the contract duration of the liability.

Derecognition criteria

Financial liabilities are derecognised from the balance sheet when they are expired or settled. Derecognition occurs also in case of repurchase of previously issued securities. The difference between the book value of the liability and the amount paid to purchase it is recorded in the income statement. The reissue on the market of own repurchased securities is considered a new issue, with recognition at the new issue price, without any effects in the income statement.

Criteria for recognition of income components

The negative income components represented by interest expenses are booked by accrual method, in the interest line items of the income statement. Any difference between the repurchase value for own issue securities and the corresponding book value for the liability is recognised in the income statement under the item Gains/losses from disposal or repurchase.

13. Financial liabilities from trading

Recognition criteria

These financial instruments are recognised on the date of undersigning or of issue, at a value equal to the fair value of the instrument, without considering any transaction costs or revenue directly attributable to the instruments themselves. This line item includes derivative contracts held for trading with a negative value.

Measurement criteria

All trading liabilities are measured at fair value and booked to the income statement.

Derecognition criteria

Financial liabilities held for trading are derecognised when the contract rights on the respective cash flows expire or when the financial liability is sold, with substantial transfer of all risks and benefits deriving from property of the liability in question.

14. Financial liabilities measured at fair value

Financial liabilities measured at fair value include liabilities for which the so-called fair value option applies. The Bank has no financial liabilities measured at fair value.

15. Transactions in foreign currency

Classification criteria

Transactions in foreign currency consist of all assets and liabilities denominated in currency other than the Euro.

Recognition criteria

Transactions in foreign currency are registered, at the time of initial recognition, in Euro, applying the exchange rate in effect as of the date of the operation to the amount in foreign currency.

Measurement criteria

As of the close of the fiscal year, the conversion of monetary assets and liabilities in foreign currency is done using the spot exchange rate on that date.

Criteria for recognition of income components

Exchange rate differences of operations in foreign currency are recognised in line item 80 of the income statement "Net trading result".

Other information

Treasury shares

Any treasury shares held in portfolio are recorded as a reduction to shareholders' equity. Similarly, the original cost of treasury shares and gains or losses deriving from the subsequent sale thereof are recorded as movement in shareholders' equity.

Accruals and deferrals

Accruals and referrals, regarding charges and income competence of the fiscal year accrued on assets and liabilities are attributed to adjustment of the assets and liabilities to which they refer; if they cannot be thus allocated, they will be registered as "Other assets" or "Other liabilities".

Costs for lease improvements

Costs for restructuring of leasehold property are capitalized taking into consideration the fact that, for the duration of the lease, the user company controls the property and may gain future economic benefits from it. The aforementioned costs, booked among "Other assets", are amortized for a period no longer than the duration of the lease agreement.

Employee severance pay

Employee severance pay was recorded based on the actuarial value calculated yearly by an independent accountant. To calculate this value, the projected unit credit method is used, which projects future expenses based on historical, statistical and probabilistic analysis, in addition to applying appropriate demographic techniques, and the rate used is the market interest rate. Contributions paid in each fiscal year are considered separate units and measured individually for the purpose of determining the final amount due. Following entry into force of the supplementary social security/pension scheme plan reform, as per Italian Legislative Decree n.252 of 5 December 2005, the severance pay quotas accrued as at 31 December 2006 remain in the company accounts, while quotas accrued subsequently are either destined to supplementary social security plans or to the INPS Treasury Fund, based on the personal choice of each employee. Starting from the 2012 fiscal year, variations to actuarial components relating to severance pay are booked with an impact on net equity and are therefore shown in the schedule of overall profitability.

Issue of Additional Tier 1

As indicated in the section regarding "capital adequacy and regulatory ratios" of the Report on Management, during the months of November and December 2020, the Bank issued Additional Tier 1 instruments for the amount of 10 million euro. Specifically, these were subordinate instruments classified in Additional Tier 1 capital, pursuant to Regulation n. 575 of 2013 (CRR).

The securities are permanent and may be called in by the issuer, subordinate to authorization by the competent Authority, at any reimbursement date starting from the 5th year from the date of issue.

The initial interest rate is different for the various issues and will be used to calculate the coupons paid in the first 5 years from the date of issue. When this term has passed, the interest rate will be recalculated based on the euro mid-swap rate at 5 years at the date of the recalculation, increased as per the regulations for each individual loan. This

interest rate will be used for the payment dates that fall within the next 5 years. The interest rate will be recalculated every 5 years as described above.
In accordance with the provisions of the CRR for AT1 instruments, the issuer has full discretionality in not paying out the coupons, for any reason and for un unlimited amount of time; derecognition is instead obligatory in the event of specific circumstances, including the occurrence of a trigger event, as illustrated in the paragraph that follows. Please note that interest is not cumulative: any amount that the issuer decides not to pay (or would be obliged not to pay) will not be accumulated or payable at a later date.
Additionally, regulations regarding these types of loans provide that at the occurrence of a trigger event, or should the Common Equity Tier 1 (CET1) of Banca Cambiano 1884 (or the consolidated CET1) be lower than the 5.125% threshold, a derecognition of the principal ("Depreciation") would – irrevocably and obligatorily – ensue, for the amount required to bring the CET1 (of the Bank or of the Group) back to 5.125%. Under specific conditions, and at the complete discretion of the issuer, the principal previously derecognised could be reinstated ("Revaluation"). On this matter, please note that the voluntary nature of reinstatement of previously depreciated principal would also exist in the event of early reimbursement on part of the issuer.
For accounting purposes, the issue in question was considered a "capital instrument", pursuant to the provisions of the IAS 32 accounting principle. In the balance sheet as at 31 December 2020, the amount collected on issue is booked, for the entire amount, under the shareholders' equity line item "130. Capital instruments" in that there were no transaction costs directly attributable to the loan to be deducted, net of taxation, from the amount of the loan booked in the balance sheet under the aforementioned line item 130.
Consistently with the nature of the instrument, the coupons are recognised in reduction of shareholders' equity (shareholders' equity line item "140. Reserves"), if and to the extent that they are paid. This transaction did not affect shareholders' equity as at 31 December 2020, in that payment of the first coupons falls due in the next fiscal year.

Income statement
Revenues are measured at fair value of the amount received or due and are recognised when future benefits are likely to be received and such benefits may be reliably measured. Expenses are recognised when incurred. Expenses that cannot be associated with revenue are immediately recognised in the income statement. Specifically:
- Revenues and expenses directly related to financial instruments measured at amortized cost and determinable from the start, regardless of when they are settled, flow to the income statement by applying the effective interest rate;
- Dividends are recognised in the income statement when they are received;
- Revenues deriving from dealing in trading instruments, representing the difference between the transaction price and the fair value of the instrument, are recognised in the income statement when the transaction is recorded if fair value can be determined with reference to parameters or recent transactions observed on the same market on which the instrument is traded;
- Other fees are recognised on an accruals basis.

Expenses directly related to financial instruments measured at amortized cost and determinable from the start, regardless of when they are settled, flow to the income statement by applying the effective interest rate, for which definition please refer to the paragraph "Loans and Financing". Impairment losses are immediately recognised in the income statement. Default interest, where provided for by contract, is entered in the income statement only when paid. Losses in value are recognised in the income statement immediately.

Classification criteria for financial assets
Classification of financial assets in the three categories provided for by the accounting principle depends on two classification criteria: the business model based on which the financial instruments are managed and the contractual characteristics of the cash flows deriving from the financial assets in question (or SPPI Test). The classification of a financial asset is the result of the combination of the two aforementioned criteria, as illustrated here following:
- Financial assets measured at amortized cost: assets that pass the SPPI test and are managed based on an HTC business model;
- Financial assets measured at fair value with impact on total profits (FLINE ITEMS): assets that pass the SPPI test and are managed based on an HTCS business model;
- Financial assets measured at fair value with recognition of income effects through profit and loss (FVTPL): this is a residual category, that includes financial instruments that cannot be classified in the above categories based on the outcome of the business model test or of the test on contractual cash flow characteristics (SPPI test failed).

In order to be able to classify a financial asset at amortized cost or at FLINE ITEMS, in addition to the business model analysis, the contractual terms of the asset in question must provide for payment of principal and interest only, at fixed dates, ("solely payment of principal and interest" - SPPI). This analysis must especially be carried out for loans and debt securities. The SPPI test must be carried out on each and every financial instrument, at the moment of registration in the balance sheet. Subsequent to initial recognition, and for as long as the asset is recorded in the balance sheet, it will

no longer be subject to further analysis for the purpose of the SPPI test. If a financial instrument is derecognised and a new financial instrument is recognised, the SPPI test must be carried out on the new asset. For the purpose of application of the SPPI test, the IFRS 9 accounting principles provides the following definitions:
- - Principal: is the fair value of the financial asset at initial recognition. This value may change during the life of the financial instrument, for example, due to reimbursement of part of the principal;
- Interest: is the consideration for the time value of money and for the credit risk associated to the existing principal in a given period of time. This may also include remuneration for other basic risks and expenses associated to the asset and with a profit margin.
In terms of evaluating whether contractual flows from a financial asset may be defined as SPPI, IFRS 9 refers to the general concept of "basic lending arrangement", that is separate from the legal form of the asset. When the clauses of the arrangement introduce exposure to risks or volatility of contractual cash flows that are outside the definition of basic lending arrangement, such as, for example, exposure to variations in prices of shares or goods, the contractual cash flows in review do not meet the definition of SPPI. The application of the classification criterion based on contractual cash flows sometimes requires a subjective judgment and, therefore, the definition of internal policies for application of the criteria. If the time value of money is modified – for example, when the interest rate for the financial asset is periodically recalculated, but the frequency of the recalculation or the frequency of payment of the coupons does not reflect the nature of the interest rate (for example, the interest rate is reviewed on a monthly basis based on an annual rate) or when the interest rate is recalculated periodically based on an average of specific short or long-to-medium term rates, the company must evaluated, both quantitatively and qualitatively, if the contractual cash flows still fulfil the requirements of SPPI (benchmark cash flows test). If the outcome of this test shows that the cash flows (not discounted) are "significantly different" from the cash flows (also not discounted) of a benchmark instrument (that is without modification of the time value), the cash flows in question cannot be considered as compliant to SPPI criteria. For the purpose of the SPPI test, as regards debt securities operations, Banca Cambiano 1884 s.p.a. uses external info-provider services. This choice means that, on one hand, front office securities traders can obtain an immediate outcome for execution of the test, which also entails less paperwork during purchasing, and on the other hand it means that the same market benchmarks are shared by multiple traders and auditing companies. Vice versa, as regards the execution of the SPPI test for loan arrangements, a proprietary tool has been developed, based on an methodology developed internally by decision tree.

Business model
As regards the business model, IFRS 9 identifies three types of business model based on the method used to manage cash flows and sales of financial instruments:
- Hold to Collect (HTC): This is a business model whose objective is to hold assets in the related asset portfolios in order collect contractual cash flows. Including an asset portfolio in this business model does not necessarily mean it is impossible to sell the instruments, although it is necessary to take into consideration the frequency, entity of value, reasons for the sale and expectations regarding future sales;
- Hold to Collect and Sell (HTCS): this is a mixed business model, whose objective is to both collect the contractual cash flows and sell the financial asset, where the sale of the asset in an integral part of the strategy. Both activities (collection of cash flows and sale of the asset are indispensible for the purpose of reaching the objective of the business model. Therefore, sales are more frequent and volumes more significant with respect to the HTC business model HTC and are an integral part of the business strategies;
- Others/Trading: this is a residual category that includes both financial assets held for trading and financial assets managed through a business model that does not meet the qualifying criteria for the aforementioned models (HTC and HTCS). Generally speaking, this classification applies to financial asset portfolios that are managed and performance evaluated on a fair value basis.
The business model reflects the way in which the financial assets are managed to generate cash flows for the entity and is defined by the bank's corporate bodies with the appropriate input from business functions. Fundamentally, the business model:
- reflects the way in which financial assets are managed to generate cash flows;
- is defined by the bank's corporate bodies, with appropriate input from the business functions;
- must be observable, considering the methods for management of financial assets. In operational terms, the evaluation and composition of the business model is made consistently with the corporate organisation mode, the specialization of the business functions, the expected risk model and the assignment of delegated powers. To evaluate a business model, all the relevant factors available at the date of the evaluation are used. The factors mentioned above include strategy, risks and how they are managed, reporting and the volume of sales. It is important that the elements taken under review to analyze the business model are coherent across the board and, specifically, are consistent with the strategy being pursued. Evidence of operations that are not in line with the strategy must be analyzed and adequately justified. For the HTC portfolio, Banca di Cambiano 1884 s.p.a. has set limits for admissibility of sales that do not compromise the classification (frequent but not significant, individually and as aggregates, or infrequent if significant in

volume) and, simultaneously, has established the parameters used to identify sales that are coherent with this business model in so far as resulting from an increased credit risk. More in detail, the HTC business model allows sales:
- in case of increased credit risk, which can be calculated for securities, if there is a downgrade of predetermined notches with respect to the original rating;
- when they are frequent but not significant in terms of value or occasional even if significant in terms of value. Limits for frequency and significance have been set for the purpose of evaluating these aspects.
As regards the determination of “Risks” on HTCS and Other/Trading business models, in line of principle the bank applies the provisions of the internal Finance Regulations and the RAF for market risk controls.

Method of calculation of amortized cost

The amortized cost of a financial asset or liability is the value measured for initial recognition, net of principal repayments, plus or minus overall amortization, determined by applying the effective interest method, the difference between the initial value and the value at maturity and net of any impairment losses. The effective interest rate is the rate that equalizes the current value of the financial asset or liability to the contractual cash flow of future payments or payments received up to the date of maturity or up to the next repricing date. For instruments with a fixed rate or a rate that is fixed for specific time periods, future cash flows are determined based on the known interest rate during the life of the instrument. For financial assets and liabilities with a floating interest rate, the future cash flows are determined based on the last known rate. At each repricing date, the amortization schedule and the effective rate of return over the entire useful life of the financial instrument, that is up to maturity, are recalculated. Amortized cost is applied is applied to receivables, financial assets held to maturity, those available for sale, liabilities and outstanding securities. Financial assets and liabilities traded at market conditions are initially recognised at fair value, which usually corresponds to the amount paid or disbursed, comprehensive of transactions costs and commissions directly attributable to the asset or liability. Transactions costs include internal marginal costs and revenues attributed at the moment of initial recognition of the instrument and recoverable from customers. These accessory components, which must be attributed to an individual asset or liability, impact the effective performance and modify the effective interest rate with respect to the contractual interest rate. Therefore, costs and revenues that refer indistinctly to more than one transaction, and the correlated components that may be subject to recognition during the life of the financial instrument, are excluded. Furthermore, the calculation of amortized cost does not take into consideration any costs the Bank would sustain regardless of the transaction, such as administrative costs, expenses for office supplies, etc.

Method for calculation of impairment

Value losses of non performing financial assets

At each balance sheet date, in compliance with IFRS 9, financial assets that are not measured at fair value with recognition of income effects through profit and loss must be subjected to a test to verify if there is evidence that the recognition value of the assets in question may be considered not fully recoverable. A similar evaluation is also carried out for commitments to disburse funds and for issued guarantees meet IFRS 9 impairment requirements. In case the aforementioned evidence exists (so-called evidence of impairment) the financial assets in question are considered impaired and classified in stage 3. For this kind of exposure, represented by financial assets classified, in compliance with Bank of Italy Circular n. 262/2005, in the categories of non-performing loans, probable defaults and exposures overdue/past-due for more than ninety days, value adjustments must be recognised in an amount equal to expected losses over the entire residual life of the asset. Positions classified in Stage 3 are classified for various risk conditions and are consequently subject to analytical or lump-sum evaluations. Value adjustments for loans in Stage 3 reflect the expected loss calculated for a period of time equal to the entire residual life of the loan. Impaired assets that are not non performing for an amount lower than a set threshold, for which there is no objective evidence of impairment, were subjected to lump-sum evaluation, that involves a statistical calculation of expected loss and of the relative write-downs for receivables belonging to the same category (defined based on the segment of the counterparty and the technical format). However, the analytical write-down must be made whenever objective degradation events are observed, calling for a precise analysis. Specifically, as regards the concept of significance referred to in the current accounting principles, impairment was applied, using the lump-sum method, to impaired receivables past due and probable defaults for individual amounts lower than the threshold of significance set at € 300,000. The evaluation of receivables classified as non-performing is updated periodically, in order to allow for immediate transposition of any events that could modify recovery forecasts for receivables. Evaluation of non-performing loans is carried out using an analytical method, that is, based on a precise survey of the recoverability of each loan, taking into account all useful elements for the definition of expectation of recovery, including but by no means limited to:

- The nature of the receivable;
- The presence of collateral and/or personal guarantees, with respect to the valuation of which please refer to the specific sections that follow;
- The total estate assets of the obligors/any co-obligors;
- The income situation of the obligors/any co-obligors;

- The presence of settlement or restructuring agreements;
- The status of any legal proceedings underway (enforcement procedures);
- Exposure of the obligors towards the banking system, overdraft status, notification to non-performing loans;
- Exposure of the obligors towards other creditors;
- Results of the last available balance sheets;
- The legal status of the obligors and pending winding-up and/or personal procedures.

In calculating value loss, the Bank takes into account the following factors:

- existence/type of guarantee: loans secured by mortgage, loans secured by pledged collateral, loans covered by personal guarantees, unsecured credit;
- asset used collateral: residential real estate property, non-residential real estate property, pledges of cash, Securities, GPM, receivables or merchandise;
- available evaluation (CTU, assessment report issued by an independent expert, date of the assessment report);
- nature of the guarantor (banks or other subjects);
- status of recovery (procedures not yet initiated, extra-judicial agreements, insolvency procedures);
- value groupings, for unsecured credit.

The evaluation of receivables classified as probable non-performing is updated periodically is updated periodically, in order to allow for immediate transposition of any events that could modify recovery forecasts, and ascertain that the loans in question still do not meet requirements to be passed to the non-performing category.

For this category, write-downs are applied:

- for positions above € 300,000 analytically;
- for positions lower than or equal to € 300,000, for which there is no objective evidence of impairment, using the lump-sum method for similar types of portfolios.

Probable defaults that show a gross exposure greater than € 300,000, are measured analytically. The measurement is aimed at calculating expected value losses, taking into account however that the positions are classified in this risk class based the Bank's opinion regarding the improbability that the debtor will fully meet all credit obligations, without recourse to measures such as enforcement of guarantees; as known, this evaluation must be carried out regardless of the presence of any overdue or not overdue amounts (or instalments). Therefore, for positions classified among probable non-performing, the presumed disposal value of the receivable is estimated by evaluating the capacity of the borrower to meet all the obligations, measured based on all available information regarding the debtor's financial and economic situation, and the value of any existing collateral underlying the receivable/s in question. The salvage value is determined, based on the foreseen recovery strategy (distinguishing between management for "business continuity" and management "for sale") that reflects the overall degree of risk, by evaluating the capacity to generate cash flows sufficient to repay the credit and/or on the mere enforcement of collateral and guarantees. The receivable is measured by examining the appropriate documentation that includes, by way of example but is not limited to, and as applicable to the type of customer:

- the trend of the relationship;
- the current and prospective economic and financial situation of the counterparty, by analyzing the last available balance sheets and outlooks where the counterparty is a legal entity;
- debt exposure towards third parties and towards the banking system (by analyzing CR, CRIF notifications);
- any notifications of non-performance by the banking system/other creditors or ongoing debit restructuring plans;
- Any documentation prepared by third party professional operators or experts attesting in various ways to, also as per law, the reversibility of the customer's crisis condition, the appropriateness of the measures taken to overcome the crisis and the measurement criteria applied;
- The willingness of the debtor to come to an agreement regarding recovery of overdue/past due amounts or renegotiate the loan;
- The length of time the loan has been classified as probable non-performing. The forecasts for loss of value, formulated for each exposure, are based on an in-depth and thorough examination of all the elements for assessment that may be extracted from the available and retrievable documentation.

For positions lower than or equal to the € 300,000 threshold amount, for which there is no objective evidence of impairment, lump-sum statistical write-down is applied for homogenous types of exposure. The lump-sum evaluation involves the statistical calculation of the expected loss and therefore of the relative value adjustments. Specifically, lump-sum write-downs must be calculated using the following formula, seeing as the PD (probability of default) is considered equal to 100% for Probable defaults as well:

$$DR \times LGD \times EAD$$

where:

- DR = impairment rate at 30 years of probable defaults, divided by credit exposure segment (corporate/retail);
- LGD (Loss Given Default) = LGD of non-performing loans;
- EAD = amount of loans classified as probable non-performing at the date of reference, divided, like non-performing loans, by type of underlying guarantee (collateral/other), by segment (corporate/retail) and by amount bracket (0-20,000, 20,000-50,000, over 50,000).

Loans classified as overdue/past-due, for which non objective evidence of impairment has been found, are measured using the lump-sum method, for homogenous types of exposure. The lump-sum evaluation involves the statistical calculation of the expected loss and therefore of the relative value adjustments Specifically, lump-sum write-downs must be calculated using the following formula, seeing as the PD (probability of default) is considered equal to 100% for overdue/past-due loans as well:

DR x LGD x EAD

where:

- DR = impairment rate at 30 years of probable defaults, divided by credit exposure segment (corporate/retail);
- LGD (Loss Given Default) = LGD of non-performing loans;
- EAD = amount of loans classified as probable non-performing at the date of reference, divided, like non-performing loans and Probable defaults, by type of underlying guarantee (collateral/other), by segment (corporate/retail) and by amount bracket (0-20,000, 20,000-50,000, over 50,000).

Value losses of performing financial assets

As regards financial assets for which there is no objective evidence of impairment (in bonis financial instruments), it is necessary to verify if there are indicators that show that the credit risk for each transaction is significantly increased with respect to the initial recognition. The consequences of this assessment, in terms of classification (or, more appropriately, of the staging) and of the measurement, are the following: - if such indicators are found, the financial asset belongs in stage 2. The measurement, in this case, in compliance with international accounting principles and even in absence of a manifest impairment, entails recognition of write-downs equal to expected losses over the entire residual life of the financial instrument. These adjustments are subject to review at each subsequent reporting date, to both periodically verify congruity with the constantly updated loss estimations, and to take into account – in case the indicators of “significantly increased” credit risk – the changed outlook for calculation of expected losses; - if such indicators are not found, the financial asset belongs in 1. In this case, the measurement, in compliance with International accounting principles and even in absence of a manifest impairment, entails recognition of expected losses, for the specific financial instrument, over the next twelve months. These adjustments are subject to review at each subsequent reporting date, to both periodically verify congruity with the constantly updated loss estimations, and to take into account – in case the indicators of “significantly increased” credit risk – the changed outlook for calculation of expected losses. As regards the measurement of financial assets and, specifically, the identification of “significant increase” of credit risk (a condition necessary and sufficient for classification of the asset in stage 2), the elements that are considered critical and primary to be taken into consideration, in compliance with the accounting principle and its implementation by Banca Cambiano 1884 s.p.a, are the following:

- The variation of the probability of default used for internal management purposes. This is, therefore, an evaluation that is made by adopting a criterion of “relativity”. This criterion, in effect as of the month of October 2019, in conformity with the Bank’s current internal rating system, classifies in Stage 2 all exposure that have jumped 6 classes from the moment of origin of the probability of default used for internal management purposes, with a final classification in class 11 probability of default;
- The presence, if any, of an overdue payment that – without prejudice to the thresholds for significance provided for in current regulations – is past due by at least 30 days. In such a case, in other words, the credit risk of the exposure is considered allegedly “significantly increased” and, therefore, it is “passed” to stage 2 (if the exposure was previously in stage 1);
- The presence, if any, of forbearance measures, which – again, presumable – entail classification of the exposures among those for which credit risk is “significantly increased” with respect to initial recognition;
- Finally, for the purpose of transfer from one stage to another, some specific indicators of the credit monitoring are taken into consideration. This refers specifically to so-called “watchlist” positions, that is, positions that are kept under observation due to evidence of individual criticality.

Once the classification of the exposures in the various credit risk stages has been defined, the expected loss, which represent an estimate of losses on receivables weighted by the respective probability of occurrence, is calculated for a 12 month period for receivables classified in Stage 1, or for the entire expected residual life of the financial instrument for receivables classified in Stage 2. Then, a similar measurement model is adopted for all receivables classified in Stage 1 and in Stage 2, the only distinguishing feature of which is the time frame for estimation of expected loss. The measurement model takes into account the following risk factors:

- PD (Probability of Default) – probability of insolvency, a parameter that represents the probability that a counterparty will migrate from a "bonis" condition to an "insolvency" condition within the time frame of one year (Stage 1) or during the entire expected life of the financial instrument (Stage 2). The probability of insolvency is calculated based on parameters decided internally by Banca Cambiano and subsequently by including adequate corrective elements that allow taking into account the effects of so-called forward looking information relative to the macro-economic reference scenarios;
- LGD (Loss Given Default) – impairment rate in case of insolvency, a parameter that expresses the impact of the loss, as a percent, net of recovery amounts, with respect to the amount of the exposure that has become insolvent, measured based on specific internal models of Banca Cambiano (contained in annex A4). This parameter also includes expected recovery costs;
- EAD (Exposure at Default) – EAD is managed based on the type of exposure and maturity: exposures with a "deterministic" repayment schedule with a known cash flow and a known maturity, and "stochastic" exposures, with an unknown cash flow and/or an unknown maturity. For exposures with a deterministic repayment schedule, EAD is calculated using the repayment schedule based on the evolution of the contractual cash flows. For exposures with an unknown repayment schedule (for example, without instalments, like bank accounts) the EAD is calculated based on appropriate models that take into account both the so-called "on balance" value and of the exposure and the "off balance" component considered as potentially risky due to the possibility that the customer increases use of credit. These exposures are valued for a 12 month period, consistently with the review period provided for by the Bank for these types of contracts.

The calculation of expected losses takes into account all reasonable and demonstrable information available at the reference date of the balance sheet without excessive costs or effort. The information used must take into consideration past events, current economic conditions and forecasts for future economic conditions.
Banca Cambiano has defined the formula to calculate ECL (1), as follows:

$$ECL(t_0) = \sum_{i=1}^{n} D(t_0, t_i) \times EAD(t_i) \times MPD(t_i) \times LGD(t_i)$$

where:
n = expiry of the relationship
$ECL(t_0)$ = calculated value adjustment at the reporting date
MPD(t_i) = marginal probability of default in t_i
$LGD(t_i)$ = LGD value at the t-th future instant
$EAD(t_i)$ = EAD value at the t-th future instant
$D(t_0, t_i)$ = discounting factor $t_0$and t_i
n = residual life of the relationship (maturity minus reporting date)
As regarding financial assets classified in Stage 1, the calculation formula is applied only to a timeline of maximum 1 year, or less if the duration of the financial instrument is less than 12 months. The $t_i$instants indicated in the formula are consistent with the frequency estimated by the output of the multi-period EAD calculation or wit the annual frequency, in case of repayment schedules with a single repayment at maturity (so-called bullet). As regards financial assets classified in Stage 2, the calculation formula is applied to a timeline equivalent to the residual duration of the instrument (life-time). The $t_i$instants are always consistent with the frequency estimated by the output of the multi-period EAD calculation, or with the annual frequency for bullet repayment schedules.
At each reporting date and for each contract relationship, both the 1 year ECL and the Lifetime ECL are calculated, using the multi-period PD, LGD and EAD parameters described above in the application of the formula, and considering all the payment deadlines up to:

- Timeline of 1 year from the reporting date for calculation of 1 year ECL 1 (if duration is less than 12 months, the residual contract duration will be used);
- Expiry/maturity date of the individual contract relationship for calculation of Lifetime ECL (if duration is less than 12 months, the residual contract duration will be used).

Transition to the IFRS 16 international accounting principle – Regulatory requirements.
Effective 1 January 2019, the new IFRS 16 accounting principle, issued by IASB in January 2016 and approved by the European Commission with EU Regulation n. 1986/2017, has replaced the IAS 17 "Leasing" accounting principle, and now disciplines the booking requirements for lease contracts. The new principle requires identifying if a contract is (or contains) a lease based on the concept of control of the use of a specific asset for a given period of time, and consequently tenancy, hire, rental or loan for use contracts fall within the perimeter of application of the new regulations. In light of the above, the new principle introduces significant changes to the booking of lease transactions in the balance sheet of the lessee/user, entailing the introduction of only one accounting model for lease contracts by the lessee, based on the model of the right of use. In detail, the principle variation consists in the fact that there is no longer a distinction, as was provided

for in IAS 17, between operating leases and financial leases. All lease contracts must therefore be booked in the same way, by entering an asset and a liability. The accounting model provides for an entry in the Assets items of the right of use of the asset to which the lease refers, and in the Liabilities items of items representing the liabilities for leasing fees as yet to be paid to the lessee, unlike what was set forth in the principles in force up to 31 December 2018. The methods for booking components to profit and loss account have also changed: while for IAS 17 lease fees were to be booked in the line item referring to administrative costs, in accordance with IFRS 16 instead charges relative to the amortization of the "right of use" are booked, along with interest payable on debt. Instead, there are no significant changes, aside from requirements relating to additional information to be provided, in the accounting of leases by lessors, where distinctions are maintained between operating and financial leases. Starting 1 January 2019, the effects on the balance sheet resulting from the application of IFRS 16 may be identified for lessees – profitability and cash flow being equal– in an increase of assets booked in the balance sheet (leased asset), an increase of liabilities (payables due for leased assets), a reduction of administrative costs (leasing fees) and an increase in financial costs (payment of booked payables) and amortization (relative to the right of use). As regards the profit and loss account, considering the entire duration of the contracts, the economic impact does not change the timeline for the lease, applying either previous IAS 17, or IFRS 16, but manifests itself with a different spread over time.

Accounting treatment of tax credits connected to the "*Cura Italy*" and "*Rilancio*" Law Decrees, purchased on disposal by the direct beneficiaries or by previous purchasers.

Approach used for the accounting treatment of purchased tax credits (tax bonuses).

Establishing an accounting policy in accordance with IAS 8, requires an analysis of aspects regarding initial recognition, measurement and consequent classification, taking into account the cost sustained by the transferee to purchase the credit, their characteristics of useability and the need to recognize the profit obtained by the transferee on an accrual basis. The operations generates an asset (credit) in the balance sheet of the transferee, containing the right to avoid future disbursements. Tax credits covered by the Decrees are, substantially speaking, more similar to financial assets, in that they may be used to compensate a debt usually settled in cash (cash debits), or exchanged with other financial assets at conditions that may be potentially favourable to the entity and associated to a business model (for example, Hold To Collect in the event they are held to maturity), so it is believed that an accounting model based on IFRS 9 represents the accounting policy most suited to providing relevant and reliable information, as required by IAS 8, paragraph 10. This model, in fact, seems to better guaranty a truthful representation of the financial, profit and cash flow situation of the entity, reflecting the economic substance and not just the form of the transaction, in a neutral, prudent and complete manner. In order to define the accounting treatment to be adopted for the tax credits in question, we will therefore refer to some provisions contained in accounting principle IFRS 9 for financial instruments. The purchase price of tax credits must discount: a) the time value of money; and b) the capacity to use it within the respective term. This price must meet the condition of IFRS 9 according to which financial assets and liabilities must be initially recognised at fair value and be assimilated, in the hierarchy of fair value provided for by IFRS 13, to a level 3 fair value, as at the moment there are no active markets nor comparable transactions. Therefore, at the moment of initial recognition, the tax credit is recognised at the transaction price. For the subsequent measurement of financial assets at amortized cost, calculations must consider: i) the time value of money; ii) the use of an effective interest rate; and iii) the use flows of the tax credit through off-setting. The effective interest rate is determined at origin so that the discounted cash flows connected to the expected future off-sets estimated for the expected duration of the tax credit are equal to the purchase price of the tax credits. To calculate the effective interest rate, the entity has estimated expected off-setting, taking into account all the terms relative to the tax credit, including the fact that any unused tax credit in each compensation period will be lost. The use of the amortized cost method allows spreading revenues for the entire duration of life of the tax credit, at immediately recognizing any transaction losses. It follows that, should the entity review its estimations regarding the use of the tax credit through off-setting, it must adjust the gross accounting value of the tax credit to reflect estimated, effective and re-determined uses. The entity will recalculate the gross accounting value of the tax credit as the current value of the new estimation o fuse of the tax credit by off-setting discounted at the original effective interest rate. In this redetermination, taking into account the absence of reimbursability by the counterparty (that is to say, Internal Revenue), a write-down deriving from the possible missed use of purchased tax credits is therefore included. The evaluation regarding the failure to use the tax credit will also reflect the fact that the entity could reasonably define ceilings for the purchase of credits based on the volumes of its debit position vis-à-vis Internal Revenue. Alternatively, if the transferee decides to adopt an operational management typical of the Hold To Collect and Sell business model for these credits, or to hold them for the purpose of trading, both as defined in IFRS 9, the subsequent measurement of the credits would be made at fair value. Therefore, we believe the following approach is the one to take:

- in terms of initial recognition: booking of the tax credit at the moment of purchase for a value that corresponds to its fair value;
- in terms of subsequent measurement: application of the provisions of IFRS 9 relative to the Hold To Collect business model, that require measurement at amortized cost. If the transferee intends to adopt an operational management

typical of the Hold To Collect and Sell business model for these credits, or to hold them for other purposes (for example, trading), as defined in IFRS 9, the credits should be measured at fair value with contra-entry, respectively in the schedule of overall profitability or in the income statement.

Representation in the financial statements and information to be provided in periodical accounting reports.
Considering that, according to international accounting principles, purchased tax credits do not represent tax receivables, public contributions, intangible assets nor financial assets, the most appropriate classification, for the purposes of representation in the balance sheet, is in the residual item "other assets" of the balance sheet (assets line item 120), in line with paragraphs 54 and 55 of IAS 1 "Presentation of the financial statements". As regards the representation of revenues and charges deriving from purchase and use of tax credits in the income statement and/or in the schedule of overall profitability, it will reflect the management method adopted by the transferee (Hold to Collect, Hold to Collect and Sell, Other) such as is the nature of such revenue and charges (interest, other measurement aspects such as write-back deriving from loss of value, gains/losses from disposal), in line with paragraphs 82 and 82A of IAS 1 "Presentation of the financial statements".

Information regarding the goodwill impairment test – Information required by Bank of Italy, Consob, Isvap joint document n. 4 del 03/03/2010.
Introduction.
As regards the booking of corporate merger operations, the IFRS 3 accounting principles requires registering new intangible assets and measuring goodwill that may result from the operation in question. As provided for by IAS 36, the value of assets measured following the merger that are characterized by an indefinite useful life, including goodwill, cannot be amortized in accounting but must be subjected to impairment test annual (or at any rate, whenever a loss of value is observed) to verify the recoverability of the book value. The impairment test requires first identifying the unit that generates the cash flows (Cash Generating Unit - CGU) to which goodwill is attributed. A CGU is the smallest group of assets capable of generating cash flows autonomously. When the recoverable value of any single asset cannot be estimated, one must estimate the recoverable value of the cash generating unit to which the asset belongs. Seeing as goodwill is not an asset capable of generating cash flow autonomously, for the purpose of the impairment test, the CGUs that benefit from the goodwill deriving from a company merger must be identified and the goodwill must be allocated thereto.
The impairment test must be conducted by comparing the book value of the CGU with the recoverable value of the same CGU, where the recoverable value is the greater value between the fair value net of any sales costs, and the relative value in use. The resulting value adjustments are booked in the income statement. Goodwill described in this document refers to the following "business combination" transactions in accordance with IFRS:

- transfer, pursuant to Legislative Decree n. 18/2016 (amended and converted into Law n. 49/2016), of the bank business of former BCC di Cambiano to former Banca A.G.C.I. (so-called "way-out" operation, concluded effective 01/01/2017); considering that, pursuant to the IFRS 3 accounting principal, former Banca A.G.C.I. is in substance the purchased party (and, conversely, former BCC di Cambiano is in substance the purchasing party), the goodwill (equal to 3,140,342) euro, refers to the valuation of former Banca A.G.C.I., with two territorial units in the cities of Bologna and Rome.

Therefore, Banca Cambiano 1884 SpA goodwill subject to impairment is equal to overall € 3,140,342.
The procedures for the impairment test are defined in the document entitled "IAS 36 – Goodwill Impairment Policy" and establish the following stages:

1. definition of the Cash Generating Unit/s ("CGU") and al location of the booking goodwill to the CGU/s that has/have been identified;
2. determination of the recoverable value of the CGU/s;
3. comparison between the booking value and the recoverable value of the CGU/s.

The test was subject to approval by the Bank Board of Directors prior to approval of the financial statements for the fiscal year. Please consult the following section for additional information.

Definition of Cash Generating Units (CGU) and allocation of goodwill.
In accordance with IAS 36, if it is not possible to directly calculate the recoverable value of an individual asset entered in the balance sheet, the recoverable value of the cash generating unit (CGU) to which the asset belongs must be calculated. IAS 36 defines a CGU as "the smallest identifiable group of assets that generates cash inflows that are largely independent of cash inflows generated by other assets or groups of assets". In order to identify the cash generating units to which the assets subject to impairment tests are to be attributed, the identified CGUs must generate cash inflows that are largely independent of those deriving from other identified units. With respect to the condition set forth above, for the purpose of the impairment test, the following Cash Generating Units (CGU) were identified:

- with reference to the "way-out" operation: Bologna branch CGU, and Rome branch CGU.

Please note that, in accordance with the provisions of IFRS 8, the CGUs identified are not larger than the operational sectors.
The table below illustrates the allocation of goodwill among the CGUs at 31 December 2020 before the impairment test:

CGU		Book value before the impairment test
Branches purchased within the scope of the way out operation	Bologna branch	1,772,342
	Roma branch	1,368,000
	TOTAL (A)	**3,140,342**

For the purpose of the impairment test procedure, the value of each CGU was calculated the future cash flows referred to a five year forecasting period (2021-2025), applying the "discount cash flow" method. Forecasts were elaborated starting from the economic and financial situation of each territorial unit at the end of 2020 (preliminary annual data), and using:

- budget data for 2021;
- for the 2021-2024 period, to identify a normalized income that is sustainable long-term, economic and financial forecasts in a context of inertial growth were developed.

The discounting rate (estimated with the Capital Asset Pricing Model) was determined taking into consideration current market rates referred to both the time value component and the country risk component, in addition to the specific risks of the asset in question.

Results of the impairment test.

In the above evaluation, the Bank took into account the current market condition, which continues to be influenced by the evolution of the health emergency tied to the spread of the Covid-19 virus. The pandemic, officially declared at a national level starting 31 January 2020, continues to have a considerably impact on the various economical and financial systems and forecasts regarding future trends of the principle economic variables are being constantly updated, also in light of decisions made by Government bodies both nationally and internationally, based on the spread of the virus. Furthermore, preliminary data are now being disclosed regarding the effects of the pandemic over the last months, which are useful for the purpose of elaborating forecasts on the future trends of the principle macro-economic parameters. To date, the possibility of an end to his crises is entrusted to the capacity of individual countries to overcome the health emergency with a mass vaccination campaign, in order to guaranty a sufficient degree of vaccinations to allow gradually loosening, and finally eliminating, restrictive measures. Alongside vaccination measures, the vast resources allocated both nationally and at a Community level should provide the support needed to relaunch the economy, laying the base for that which may be defined as a probably "V" recovery; nevertheless, a considerable degree of uncertainty remains, tied to the capacity of individual measures to amortize the permanent effects on the economic and social system caused by the health emergency.

On this matter, the Bank's BoD, in light of the results of the impairment test and of the pandemic events that raise a series of unknowns regarding the restart of economic activities, and the objective difficulty in estimating the rates of the cost of credit and the correct discounting rate, has deemed it appropriate and prudent to fully write-down goodwill.

A.3 – INFORMATION ON ASSET TRANSFERS BETWEEN PORTFOLIOS

A.3.1 Reclassified financial assets: change of business model, book value and earned interest (thousands)

Type of financial instrument (1)	Origin portfolio (2)	Destination portfolio (3)	Date of reclassification (4)	Reclassified book value (5)	Earned interest booked during the fiscal year (before tax) (6)
Debt securities	HTCS	HTC	31/12/2019	27.969	127

A.3.2 Reclassified financial assets: change of business model, fair value and effects on overall profitability (thousands)

Type of financial instrument (1)	Origin portfolio (2)	Destination portfolio (3)	Fair value at 31/12/2020 (4)	Gains/losses in absence of transfer to profit and loss account (before taxes)		Gains/losses in absence of transfer to shareholders' equity (before taxes)	
				31/12/2020 (5)	31/12/2019 (6)	31/12/2020 (7)	31/12/2019 (8)
Debt securities	HTCS	HTC	28,518	0	0	549	-311

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

With BoD resolution of del 30/01/2019 Banca di Cambiano 1884 s.p.a. provided for reclassification of the following government bonds from the HTCS portfolio to the HTC portfolio:

- BTP ITALY 21.05.2026 IL (Isin IT0005332835) for a n.v. of 20,000,000.00;
- CCTS EU 15.09.2025 TV (Isin IT0005331878) for a n.v. of 8,000,000.00.

The decision to change the business model related to the aforementioned bonds was made in order to realign HTC portfolio assets and HTCS portfolio assets based on the maturity dates of the underlying securities. Specifically, the portfolio of HTCS will aim to hold securities with average residual maturities dates shorter than two years, while the HTC portfolio will contain securities with longer maturities. This decision, made at the beginning of 2019, was prompted by observing a impairment of the macro-economic context as compared to the 2018 fiscal year. After the aforementioned change to the business model, with book value, there is a transfer from HTCS to HTC of a book value of 25.9 million euro, to which a potential gross loss of 2.1 million euro (net of 1.4 million euro) was correlated. As at the accounting date of 31/12/2020, had the aforementioned securities been left in the HTCS portfolio, there would have been a positive valuation reserve (OCI) of 549 thousand euro. The effective rate of the debt securities allocated to the HTC portfolio, as at 31/12/2020, is equal to 0.45%. During 2020 no financial assets were transferred between portfolios.

A.4 – Information on fair value

IFRS 13 requires that assets and liabilities measured at fair value on a recurring basis are those for which the IAS/IFRS accounting principles require or allow measurement at fair value in the balance sheet. Instead, assets and liabilities measured at fair value on a non recurring basis are those for which the IAS/IFRS accounting principles require or allow measurement at fair value in the balance sheet in specific circumstances. For the purpose of improving transparency of information in the balance sheet regarding the measurement of fair value, IASB has introduced the so-called hierarchy of fair value.

A.4.1 Fair value levels 2 and 3: measurement and input techniques used

In December 2012, through Commission Regulation (EU) n. 1255/2012, the European Commission approved the new IFRS 13 “Fair Value Measurement” principle, effective as of 1 January 2013. 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”. As far as financial instruments are concerned, this definition of fair value replaces the previous version contained in IAS 39. As regards financial liabilities, the new definition of fair value provided for by IFRS 13 therefore requires identifying as such the value that would be paid to transfer the liability in question (exit price), as opposed to the value required to settle the same liability (definition contained in IAS 39). This serves to reinforce the theme of the recognition of fair value adjustments of financial liabilities – different from derivatives – attributable to the credit rating of the issuer (Own Credit Adjustment - OCA), with respect to the provisions already set forth on the matter in IAS 39. In particular, as regards calculating the fair value of OTC derivatives under assets in the Balance Sheet, IFRS 13 has confirmed the application of the adjustment relative to counterparty risk (Credit Valuation Adjustment - CVA). As regards financial liabilities represented by OTC derivatives, IFRS 13 introduces the so-called Debit Valuation Adjustment (DVA), which is a fair value adjustment aimed at reflecting own credit risk on such instruments, an issue not explicitly dealt with in IAS 39. The fair value of investments listed in active markets is calculated with reference to market listings on the last day of reference for the financial period. For financial instruments listed on active markets, the fair value assessment is based on the listings on the active market of reference even obtained from international providers and registered on the last day of the financial period. A market is defined as active when the listings reflect standard market transactions, are readily and regularly available and express the price of actual and regular market transactions. If the same financial instrument is listed on more than one market, the listing to be taken into consideration is that on the most advantageous market to which the company has access. The fair value of unlisted financial instruments is calculated by applying valuation methods that aim to determine the price that the instrument would have had on the market at the measurement date in a free exchange motivated by normal commercial considerations. Fair value is obtained using the following methods: use of recent market transactions, reference to the price of financial instruments with the same characteristics as that being measured, and quantitative methods. Specifically, unlisted securities are evaluated by applying models that discount expected future cash flow, using interest rate structures that take into proper consideration the issuer’s business sector and, where available, rating class. The fair value of mutual funds that are not traded on active markets is calculated based on the Net Asset Value as published, and adjusted if necessary to take into account possible changes in value occurring between the date of request of redemption and the effective redemption date. Capital shares not traded on an active market, for which the fair value cannot be calculated reliably using the most common methods, are valued at cost, adjusted to take into account possible significant impairment of value. As regards loans and deposits, at sight/revocable, immediate expiry of contract obligations, coinciding with the date of the financial statements, is considered and therefore their fair value is approximated at booking value. Similarly, booking value is considered for short-term loans as well. The fair value of medium to long-term loans to customers is measured by discounting residual contractual cash flows at the effective interest rate, appropriately adjusted to take into account the credit rating of individual borrowers (represented by the probability of default and by the estimated loss in the event of default). The booking value of impaired assets is an approximation of the fair value. For medium to long-term debt positions, represented by securities valued at amortized cost and hedged for interest rate risk, the booking value is adjusted, due to hedging, to fair value attributable to the hedged risk, discounting the respective flows. The fair value of derivative contracts traded on regulated markets is considered the market price of the last listing day of the fiscal period. Over the counter derivative contracts are measured on the basis of a variety of models, based on input factors that affect the relative valuation and taking into account adjustments for counterparty risk. The Bank does not calculate and recognize corrections in fair value of derivatives for CVA and DVA if there are formalized and operative agreements for collateralization of the positions in derivatives with the following characteristics:

- Bilateral and high-frequency exchange of collateral (daily or, at most, mid-week);
- Type of guaranty represented by cash or government bonds with high liquidity and credit quality, subject to an adequate safety margin;
- Absence of a threshold for the fair value of the derivative below which no exchange of guaranty is provided for, or setting of this threshold at a level that allows for an effective and significant mitigation of counterparty risk;
- MTA - Minimum Transfer Amount (that is, the difference between the contract fair value and the value of the guaranty) – below which collateralization of positions is not adjusted, identified by contract at a level that allows for substantial mitigation of counterparty risk.
  - Hedges already existing at the date of the financial statements were all collateralized.

A.4.2 Measurement process and sensitivity

At 31 December 2020 there were no assets classified in level 2 of the hierarchy of Fair Value. Financial assets that refer to capital securities “valued at cost” relative to instrumental capital holdings, and for which the fair value cannot be calculated in a reliable or verifiable manner, are conventionally classified at level 3 in the hierarchy of Fair Value.

A.4.3 Hierarchy of fair value

Hierarchy of fair value, based on the provisions of IFRS 13, must be applied to all financial instruments for which fair value is recognised in the balance sheet. In this regard, for these instruments, maximum priority is given to official prices available on active markets and lower priority to the use of non-observable input, which are more discretional. Consequently, fair value is calculated through the use of prices acquired from financial markets, in the case of instruments listed on active markets or, for other financial instruments, through the use of measurement methods that aim at an estimation of fair value. The levels used for classifications and referred to hereinafter in the explanatory notes are the following:

• “Level 1”: the fair value of the financial instruments is calculated based on price listings observable on active markets (unadjusted) which may be accessed on the date of assessment;

• “Level 2”: the fair value of the financial instruments is calculated based on other inputs observable directly or indirectly for the asset or liability, also using measurement techniques;

• “Level 3”: the fair value of the financial instruments is calculated based on other input not observable for the asset or liability, also using measurement technique.

A price listed on an active market provides the most reliable evidence of the fair value and, when available, must be used without adjustments to measure fair value. If there are not price listing on active markets, the financial instruments must be classified in level 2 or 3. Classification in Level 2 as opposed to Level 3 is determined based on the observability on markets of significant inputs used to calculate fair value.

A.4.4 Other information

There is no other information to be provided.

A.4.5 Hierarchy of fair value

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

Financial assets/liabilities measured at fair value	31/12/2020			31/12/2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets measured at fair value with recognition of income effects through profit and loss	47,711	0	93,921	46,507	0	99,299
a) financial assets held for trading	46,385	0	18,962	45,666	0	32,769
b) financial assets measured at fair value	0	0	0	0	0	0
c) other financial assets obligatorily measured at fair value	1,325	0	74,959	841	0	66,530

2. Financial assets measured at fair value with impact on total profits	173,030	0	18,454	345,205	0	10,013
3. Hedges	0	0	0	0	0	0
4. Property, plants and equipment	0	0	0	0	0	0
5. Intangible assets	0	0	0	0	0	0
Total	220,741	0	112,375	391,711	0	109,312
1. Financial liabilities held for trading	0	0	641	0	0	313
2. Financial liabilities measured at fair value	0	0	0	0	0	0
3. Hedges	0	0	419	0	0	614
Total	0	0	1,060	0	0	926

Key:
Level 1 = Fair value of a financial instrument listed in an active market;
Level 2 = Fair value measured on the basis of measurement techniques that use parameters that can be observed on the market, other than the listings of the financial instrument;
Level 3 = Fair value measured on the basis of measurement techniques that use parameters that cannot be observed on the market.

A.4.5.2 Annual variations of financial assets measured at fair value on a recurring basis (level 3)

	Financial assets measured at fair value with recognition of income effects through profit and loss				Financial assets measured at fair value with impact on total profits	Hedges	Property, plants and equipment	Intangible assets
	Total	of which: a) financial assets held for trading	of which: b) financial assets measured at fair value	of which: c) other financial assets obligatorily measured at fair value				
1. Initial value	**109,312**	**32,769**	**0**	**66,530**	**10,013**	**0**	**0**	**0**
2. Additions								
2.1. Purchases	38,310	7,342	0	20,968	10,000	0	0	0
2.2. Revenues allocated to:	0	0	0	0	0	0	0	0
2.2.1. Profit and loss account	1,510	1,327	0	184	0	0	0	0
- of which gains	1,084	900	0	184	0	0	0	0
2.2.2. Shareholders' equity	9	X	X	X	0,00	0,00	0,00	0,00
2.3. Transfers from other levels	0	0	0	0	0	0	0	0
2.4. Other additions	31	0	0	31	0	0	0	0
3. Reductions								
3.1. Sales	34,701	22,422	0	12,279	0	0	0	0
3.2. Redemptions	0	0	0	0	0	0	0	0
3.3. Losses allocated to:	0	0	0	0	0	0	0	0
3.3.1. Profit and loss account	507	50	0	457	0	0	0	0
- of which losses	400	5	0	395	0	0	0	0
3.3.2. Shareholders' equity	1,569	X	X	X	0,00	0,00	0,00	0,00
3.4. Transfers to other levels	0	0	0	0	0	0	0	0
3.5. Other reductions	21	3	0	17	0	0	0	0
4. Final values	**112,375**	**18,962**	**0**	**74,959**	**18,454**	**0**	**0**	**0**

A.4.5.3 Annual variations of liabilities measured at fair value on a recurring basis (level 3)

	Financial liabilities held for trading	Financial liabilities measured at fair value	Hedges
1. Initial value	**313**	**0**	**614**
2. Additions	0	0	0
2.1. Issues	476	0	0
2.2. Losses allocated to:	0	0	0
2.2.1. Profit and loss account	165	0	59
- of which losses	0	0	0
2.2.2. Shareholders' equity	X	0	0

2.3. Transfers from other levels	0	0	0
2.4. Other additions	0	0	49
3. Reductions	0	0	0
3.1. Redemptions	313	0	34
3.2. Repurchases	0	0	0
3.3. Revenues allocated to:	0	0	0
3.3.1. Profit and loss account	0	0	0
- of which gains	0	0	0
3.3.2. Shareholders' equity	X	0	269
3.4. Transfers to other levels	0	0	0
3.5. Other reductions	0	0	0
4. Final values	**641**	**0**	**419**

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

Assets/liabilities not measured at fair value or measured at fair value on a non recurring basis	31/12/2020				31/12/2019			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets measured at amortized cost	3,470,610	292,162	0	3,178,448	3,090,758	378,065	0	2,712,692
2. Property, plants and equipment held as investments	0	0	0	0	0	0	0	0
3. Non-current assets and groups of assets in the course of divestment	0	0	0	0	0	0	0	0
Total	**3,470,610**	**292,162**	**0**	**3,178,448**	**3,090,758**	**378,065**	**0**	**2,712,692**
1. Financial liabilities valued at amortized cost	3,716,623	0	0	3,716,623	3,503,727	0	0	3,503,727
2. Liabilities associated to assets in the course of divestment	0	0	0	0	0	0	0	0
Total	**3,716,623**	**0**	**0**	**3,716,623**	**3,503,727**	**0**	**0**	**3,503,727**

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

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

The Bank does not present transactions for which, at the moment of initial recognition of the financial instruments not listed in active markets, the component relative to the so-called "day one profit/loss" was measured. Consequently, the information required by paragraph 28 of IFRS 7 is not herein provided.

PART B – Information on the balance sheet

ASSETS

Section 1 - Cash and cash equivalents - Line item 10

1.1. Cash and cash equivalents: breakdown

Line items	31/12/2020	31/12/2019	Var.	% var.
a) Cash and cash equivalents	13,908	14,038	-130	-0.93%
b) Demand deposits with central banks	0	0	0	
Total	**13,908**	**14,038**	**-130**	**-0.93%**

Note:
The line item “Demand deposits with central banks” does not include the regulatory reserve that was noted in asset line item 40 a) "Financial assets measured at amortized cost a) receivables from banks".

Section 2 - Financial assets measured at fair value with recognition of income effects through profit and loss - Line item 20

2.1 Financial assets held for trading: breakdown by type

Line items/values	31/12/2020			31/12/2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1 Debt securities	0	0	0	20,006	0	2,470
1.1 Structured securities	0	0	0	0	0	0
1.2 Other debt securities	0	0	0	20,006	0	2,470
2 Capital securities	0	0	0	0	0	0
3 Shares in mutual funds	46,385	0	18,148	25,660	0	30,221
4 Loans	0	0	0	0	0	0
4.1 Repurchase agreements	0	0	0	0	0	0
4.2 other	0	0	0	0	0	0
Total A	**46,385**	**0**	**18,148**	**45,666**	**0**	**32,692**
B. Derivative instruments						
1 Financial derivatives:	0	0	815	0	0	77
1.1 from trading	0	0	815	0	0	77
1.2 connected with the fair value option	0	0	0	0	0	0
1.3 other	0	0	0	0	0	0
2 Credit derivatives	0	0	0	0	0	0
2.1 from trading	0	0	0	0	0	0
2.2 connected with the fair value option	0	0	0	0	0	0
2.3 other	0	0	0	0	0	0
Total B	**0**	**0**	**815**	**0**	**0**	**77**
Total (A+B)	**46,385**	**0**	**18,962**	**45,666**	**0**	**32,769**

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

Line items/values	31/12/2020	31/12/2019	Var.	% var.
A. CASH ASSETS				
1. Debt securities	**0**	**22,477**	**-22,477**	**-100.00%**
a) Central banks	0	0	0	0.00%
b) Public administrations	0	20,006	-20,006	-100.00%
c) Banks	0	0	0	0.00%
d) Other financial companies	0	2,470	0	-100.00%
of which: other financial companies	0	0	0	0.00%
e) Non finance companies	0	0	0	0.00%
2 Capital securities	**0**	**0**	**0**	**0.00%**
a) Banks	0	0	0	0.00%

Line items/values	31/12/2020	31/12/2019	Var.	% var.
b) Other financial companies	0	0	0	0.00%
of which: other financial companies	0	0	0	0.00%
c) Non finance companies	0	0	8,652	0.00%
d) Other issuers	0	0	0	15.48%
3 Shares in mutual funds	**64,533**	**55,881**	**8,652**	**0.00%**
4 Loans	**0**	**0**	**0**	**0.00%**
a) Central banks	0	0	0	0.00%
b) Public administrations	0	0	0	0.00%
c) Banks	0	0	0	0.00%
d) Other financial companies	0	0	-13,825	-17.64%
of which: other financial companies	0	0	0	0.00%
e) Non finance companies	0	0	0	0.00%
f) Families	0	0	737	953.04%
Total (A)	**64,533**	**78,358**	**737**	**953.04%**
B DERIVATIVE INSTRUMENTS				
a) Central counterparties	0	0	0	0.00%
b) Other	815	77	0	0.00%
Total (B)	**815**	**77**	**0**	**0.00%**
Total (A+B)	**65,348**	**78,435**	**0**	**0.00%**

2.5 Financial assets obligatorily measured at fair value: breakdown by type

Line items/values	31/12/2020			31/12/2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1 Debt securities	1,325	0	4,663	841	0	12,181
1.1 Structured securities	0	0	0	0	0	0
1.2 Other debt securities	1,325	0	4,663	841	0	12,181
2 Capital securities	0	0	0	0	0	0
3 Shares in mutual funds	0	0	10,517	0	0	1,732
4 Loans	0	0	59,779	0	0	52,617
4.1 Repurchase agreements	0	0	0	0	0	0
4.2 Other	0	0	59,779	0	0	52,617
Total	**1,325**	**0**	**74,959**	**841**	**0**	**66,530**

2.6 Financial assets obligatorily measured at fair value: breakdown by borrower/issuer

Line items/values	31/12/2020	31/12/2019
1 Capital securities	0	0
of which: Banks	0	0
of which: Other financial companies	0	0
of which: other non finance companies	0	0
2. Debt Securities	**5,988**	**13,021**
a) Central banks	0	0
b) Public administrations	0	0
c) Banks	1,994	1,511
d) Other financial companies	3,994	11,510
of which: other financial companies	0	0
e) Non finance companies	0	0
3 Shares in mutual funds	**10,517**	**1,732**
2 Loans	**59,779**	**52,617**
a) Central banks	0	0
b) Public administrations	0	0
c) Banks	147	349

Line items/values	31/12/2020	31/12/2019
d) Other financial companies	8,097	7,957
of which: other financial companies	8,097	7,957
e) Non finance companies	51,139	43,876
f) Families	396	435
Total	**76,284**	**67,370**

Section 3 - Financial assets measured at fair value with impact on total profits - Line item 30

3.1 Financial assets measured at fair value with impact on total profits: breakdown by type

Line items/values	Total 31/12/2020			Total 31/12/2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	173,030	0	0	345,205	0	0
1.1 Structured securities	36,974	0	0	8,144	0	0
1.2 Other debt securities	136,056	0	0	337,061	0	0
2. Capital securities	0	0	18,454	0	0	10,013
3. Loans	0	0	0	0	0	0
Total	**173,030**	**0**	**18,454**	**345,205**	**0**	**10,013**

3.2 Financial assets measured at fair value with impact on total profits: breakdown by borrower/issuer

Line items/values	Total 31/12/2020	Total 31/12/2019	Var.	% var.
1. Debt securities	**173,030**	**345,205**	**-172,174**	**-49.88%**
a) Central banks	0	0	0	0.00%
b) Public administrations	135,805	337,061	-201,256	-59.71%
c) Banks	37,226	8,144	29,082	357.10%
d) Other financial companies	0	0	0	0.00%
of which: other financial companies	0	0	0	0.00%
e) Non finance companies	0	0	0	0.00%
			0	0.00%
2. Capital securities	**18,454**	**10,013**	**8,441**	**84.29%**
a) Banks	7,500	8,951	-1,451	-16.21%
b) Other issuers:	10,954	1,063	9,891	930.74%
- other financial companies	449	453	0	0.00%
of which: other financial companies	0	0	0	0.00%
- non finance companies	10,505	610	9,896	1622.65%
- other	0	0	0	0.00%
3. Loans	**0**	**0**	**0**	**0.00%**
a) Central banks	0	0	0	0.00%
b) Public administrations	0	0	0	0.00%
c) Banks	0	0	0	0.00%
d) Other financial companies	0	0	0	0.00%
of which: other financial companies	0	0	0	0.00%
e) Non finance companies	0	0	0	0.00%
f) Families	0	0	0	0.00%
Total	**191,484**	**355,218**	**-163,734**	**-46.09%**

3.3 Financial assets measured at fair value with impact on total profits: gross value and overall value adjustments

	Gross value				Overall value adjustments			Overall partial write-off
	First stage	of which: Instruments with a low credit risk	Second stage	Third stage	First stage	Second stage	Third stage	
Debt securities	135,835	135,835	37,307	0	31	82	0	0
Loans	0	0	0	0	0	0	0	0
Total 31/12/2020	**135,835**	**135,835**	**37,307**	**0**	**31**	**82**	**0**	**0**
Total 31/12/2019	**337,239**	**337,239**	**8,186**	**0**	**179**	**42**	**0**	**0**
of which: impaired financial assets purchased or originated	**X**	**X**	**0**	**0**	**X**	**0**	**0**	**0**

3.3 a) Loans measured at fair value with impact on total profits subject to Covid-19 aid measures: gross value and overall value adjustments
There are no loans measured at fair value with impact on total profits subject to Covid-19 aid measures.

Section 4 - Financial assets measured at amortized cost - Line item 40

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

Type of transaction / Values	Total 31/12/2020						Total 31/12/2019					
	Book value			Fair value			Book value			Fair value		
	First and second stage	Third stage	of which: impaired purchased or originated	Level 1	Level 2	Level 3	First and second stage	Third stage	of which: impaired purchased or originated	Level 1	Level 2	Level 3
A. Receivables from central banks												
1. Time deposits	0	0	0	0	0	0	0			0	0	0
2. Regulatory reserve	234,128	0	0	0	0	234,128	57,525			0	0	57,525
3. Repurchase agreements	0	0	0	0	0	0	0			0	0	0
4. Other	0	0	0	0	0	0	0			0	0	0
B. Receivables from banks	**0**	**0**	**0**	**0**	**0**	**0**	**0**			**0**	**0**	**0**
1. Loans	0	0	0	0	0	0	0			0	0	0
1.1. Current accounts and demand deposits	77,866	0	0	0	0	77,866	41,871			0	0	41,871
1.2. Time deposits	54,011	0	0	0	0	54,011	55,986			0	0	55,986
1.3. Other loans:	0	0	0	0	0	0	0			0	0	0
- Repurchase agreements - receivables	0	0	0	0	0	0	0			0	0	0
- Financial leases	0	0	0	0	0	0	0			0	0	0
- Other	0	0	0	0	0	0	0			0	0	0
2. Debt securities	11,378	0	0	11,378	0	0	8,436			8,436	0	0
2.1 Structured securities	0	0	0	0	0	0	0			0	0	0
2.2 Other debt securities	11,378	0	0	11,378	0	0	8,436			8,436	0	0
Total	**377,384**	**0**	**0**	**11,378**	**0**	**366,006**	**163,819**	**0**	**0**	**8,436**	**0**	**155,383**

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

Type of transaction/values	Total 31/12/2020							Total 31/12/2019						
	Book value				Fair value			Book value				Fair value		
	First and second stage	Third stage	of which: impaired purchased or originated	Total	Level 1	Level 2	Level 3	First and second stage	Third stage	of which: impaired purchased or originated	Total	Level 1	Level 2	Level 3
1. Loans	**2,664,082**	**148,759**	**797**	**2,812,842**	**-**	**-**	**-**	**2,381,283**	**176,712**	**842**	**2,557,996**	**X**	**X**	**X**
1.1. Current accounts	479,887	29,583	37	509,470	X	X	X	529,376	35,285	101	564,661	X	X	X

Type of transaction/values	Total 31/12/2020							Total 31/12/2019						
	Book value				Fair value			Book value				Fair value		
	First and second stage	Third stage	of which: impaired purchased or originated	Total	Level 1	Level 2	Level 3	First and second stage	Third stage	of which: impaired purchased or originated	Total	Level 1	Level 2	Level 3
1.2. Repurchase agreements - receivables	-	-	-	-	X	X	X	-	-	-	-	X	X	X
1.3. Mortgages	1,323,048	97,572	674	1,420,620	X	X	X	1,213,196	114,698	683	1,327,894	X	X	X
1.4. Credit cards, personal loans and salary-backed loans	15,218	696	55	15,915	X	X	X	15,130	1,102	44	16,232	X	X	X
1.5. Financial leases	257	-	-	257	X	X	X	337	-	-	337	X	X	X
1.6. Factoring	-	-	-	-	X	X	X	-	-	-	-	X	X	X
1.7. Other loans	845,672	20,907	32	866,580	X	X	X	623,244	25,627	14	648,871	X	X	X
2. Debt securities	**280,384**	**-**	**-**	**280,384**	**280,384**	**-**	**-**	**368,943**	**-**	**-**	**368,943**	**369,282**	**-**	**-**
2.1 Structured securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	280,384	-	-	280,384	280,384	-	-	368,943	-	-	368,943	369,282	-	-
Total (Book value)	**2,944,466**	**148,759**	**797**	**3,093,225**	**280,384**	**-**	**-**	**2,750,226**	**176,712**	**842**	**2,926,938**	**369,282**	**-**	**-**

4.3 Financial assets measured at amortized cost: breakdown by borrower/issuer of receivables from customers

Type of transaction/Values	Total 31/12/2020			Total 31/12/2019		
	First and second stage	Third stage	of which: impaired purchased or originated	First and second stage	Third stage	of which: impaired purchased or originated
1. Debt securities	**280,384**	**0**	**0**	**368,943**	**0**	**0**
a) Public administrations	280,384	0	0	368,943	0	0
b) Other financial companies	0	0	0	0	0	0
of which: other financial companies	0	0	0	0	0	0
c) Non finance companies	0	0	0	0	0	0
2. Loans to:	**2,664,083**	**148,759**	**797**	**2,381,284**	**176,712**	**842**
a) Public administrations	2,029	0	0	1,966	0	0
b) Other financial companies	219,905	1,939	0	199,448	1,923	0
of which: other financial companies	0	0	0	1	0	0
c) Non finance companies	1,313,001	75,464	175	1,156,738	95,556	144
d) Families	1,129,148	71,356	622	1,023,130	79,234	698
Total	**2,944,466**	**148,759**	**797**	**2,750,227**	**176,712**	**842**

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

	Gross value				Overall value adjustments			Overall partial write-off
	First stage	of which: Instruments with a low credit risk	Second stage	Third stage	First stage	Second stage	Third stage	
Debt securities	280,448	280,448	11,714	0	64	335	0	0
Loans	2,815,294	2,815,294	241,172	266,829	10,101	16,276	118,070	0
Total 31/12/2020	**3,095,742**	**3,095,742**	**252,885**	**266,829**	**10,166**	**16,611**	**118,070**	**0**
Total 31/12/2019	**2,664,682**	**2,664,682**	**261,052**	**304,692**	**5,345**	**6,344**	**127,980**	**571**
of which: Impaired financial assets purchased or originated	X	X	462	462	X	25	101	0

4.4 a) Loans measured at amortized cost subject to Covid-19 aid measures: gross value and overall value adjustments

	Gross value				Overall value adjustments			Overall partial write-off
	First stage	of which: Instruments with a low credit risk	Second stage	Third stage	First stage	Second stage	Third stage	
1. Loans subject to forebearance conformant to GL	445,861	0	84,414	2,562	3,571	9,579	792	0
2. Loans subject to other forebearance measures	807	0	95	0	0	0	0	0
3. Other loans	288,830	0	31,366	224	1,927	3,565	64	0
Total 31/12/2020	**735,498**	**0**	**115,874**	**2,785**	**5,498**	**13,145**	**856**	**0**
Total 31/12/2019	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Section 7 – Equity investments - Line item 70

7.1 Equity investments in subsidiaries, jointly held companies or companies subject to significant influence: information on shareholdings

Name	Registered offices	Operating offices	% of shareholdings	% of available votes
A. Wholly owned subsidiaries				
1. Cabel Leasing S.p.A. [(1)]	**Empoli**	**Empoli**	**90.00%**	**90.00%**
2. Immobiliare 1884 S.r.l.	**Florence**	**Empoli**	**100.00%**	**100.00%**
B. Jointly held companies				
C. Companies subject to significant influence				
1. Cabel Holding S.p.A. [(2)]	**Empoli**	**Empoli**	**49.60%**	**29.60%**
2. Cabel Industry S.p.A. [(3)]	**Empoli**	**Empoli**	**18.00%**	**18.00%**

Note:

[(1)] During 2020 the Bank increased its shareholdings in the subsidiary, FROM 52% to 90% due to the effect of the purchase on the part of Cabel Holding S.p.a. of n.38.000 shares at a unit value of 199.42 euro for a total of 7,577,960 euro.

[(2)] During 2019, the Bank assigned 20% of shareholdings in Cabel Holding in usufruct to a Trust. The cost, book value and percent of shareholdings have remained unvaried, while the number of shares (for the purposes of the % of votes available in the Shareholders' Meeting) has decreased from 49.60% to 29.60%.

[(3)] The percent of shareholdings in Cabel Industry s.p.a. has increased to 51.61% due to the Cabel Holding s.p.a. shareholdings in Cabel Industry s.p.a., equal to 67.77%.

7.2 Significant shareholdings: Book value, fair value e dividends received

Name	Book value	Fair value	Dividends received
A. Wholly owned subsidiaries	**27,694**	**27,694**	**0**
1. Cabel Leasing S.p.A.	17,694	17,694	0
2. Immobiliare 1884 S.r.l.	10,000	10,000	0
B. Jointly held companies	**0**	**0**	**0**
C. Companies subject to significant influence	**23,993**	**25,401**	**0**
1. Cabel Holding S.p.A.	21,961	23,369	0
2. Cabel Industry S.p.A.	2,032	2,032	0
Totals	**51,688**	**53,096**	**0**

Note:

The fair value of shareholdings in companies subject to significant interest corresponds to the balance sheet value in that none of the companies in question is listed on a trade market.

Considering the loss recorded by Cabel Holding s.p.a. during the fiscal year, for this company, impairment was analyzed by determining the fair value net of sale costs. The test di not result in value write-downs to be made.

7.3 Significant equity investments: accounting information

Name	Cash and cash equivalents	Financial assets	Non financial assets	Financial liabilities	Non financial liabilities	Total revenue	Interest income
A. Wholly owned subsidiaries	**2**	**222,485**	**9,129**	**203,274**	**8,020**	**5,075**	**3,043**
1. Cabel Leasing S.p.A.	2	222,485	9,129	203,274	8,020	5,075	3,043
2. Immobiliare 1884 S.r.l.	0	3,680	12,498	5,910	90	593	0
B. Jointly held companies	**0**	**0**	**0**	**0**	**0**	**0**	**0**
C. Companies subject to significant influence	**x**	**26,160**	**68,741**	**0**	**41,504**	**39,794**	**x**
1. Cabel Holding S.p.A.	x	25,966	17,677	0	1,537	4,989	X
2. Cabel Industry S.p.A.	x	194	51,064	0	39,967	34,805	x
Totals	**2**	**248,645**	**77,870**	**203,274**	**49,523**	**44,869**	**3,043**

Name	Value adj. and write-backs on prop., plant and equip. and intangible assets	Profit (loss) on continuing operations before tax	Profit (loss) on continuing operations after tax	Profit (loss) on groups of assets under divestment, after tax	Profit (loss) for the fiscal year (1)	Other income components after tax (2)	Overall profitability (3) = (1) + (2)
A. Wholly owned subsidiaries	**157**	**952**	**633**	**0**	**633**	**0**	**633**
1. Cabel Leasing S.p.A.	57	655	381	0	381	0	381
2. Immobiliaire 1884 S.r.l.	101	297	252	0	252	0	252
B. Jointly held companies	**0**	**0**	**0**	**0**	**0**	**0**	**0**
C. Companies subject to significant influence	**x**	**1,000**	**787**	**0**	**787**	**0**	**787**
1. Cabel Holding S.p.A.	x	606	501	0	501	0	501
2. Cabel Industry S.p.A.	x	394	286	0	286	0	286
Totals	**157**	**1,952**	**1,420**	**0**	**1,420**	**0**	**1,420**

Notes:
The above companies carry out activities that are instrumental to Bank activities and perform services that area auxiliary to Bank activities. As regards wholly owned subsidiaries, the values shown in the above table refer to the period closed on 31 December 2020, while for companies subject to significant influence the data shown refer to the year closed on 31 December 2019, in that at the date of presentation of the financial statements to the Board of Directors for approval, the definitive balance sheet data as at 31 December 2020 were not yet available for the companies in question.

The balance sheet value was calculated according to the table below:

Name	Shareholders' equity	Shareholding %	Purchase/Sale	Dividends received	Book value at cost
1. Cabel Leasing S.p.A.	10,000	52.00%	0	0	17,694
2. Immobiliare 1884 S.r.l.	10,000	100.00%	0	0	10,000
Totals	**20,000**		**0**	**0**	**27,694**

Name	Shareholders' equity	Shareholding %	Purchase/Sale	Dividends received	Book value at PN
3. Cabel Holding S.p.A.	44,276	49.60%	0	0	21,961
4. Cabel Industry S.p.A.	11,290	18.00%	0	0	2,032

Totals	**55,567**		**0**	**0**	**23,993**

7.5 Equity investments: Annual variations

Line items	Total 31/12/2020	Total 31/12/2019
A. Initial value	**43,810**	**43,561**
B. Additions	**7,878**	**249**
B.1 Purchases	7,578	0
B.2 Write-backs of value	0	0
B.3 Revaluations	300	248
B.4 Other variations	0	0
C. Reductions	**0**	**0**
C.1 Sales	0	0
C.2 Value adjustments	0	0
C.3 Write-downs	0	0
C.4 Other variations	0	0
D. Final values	**51,688**	**43,810**
E. Total revaluations	**13,120**	**12,820**
F. Total adjustments	**0**	**0**

Notes:
Line item B.3 "Revaluations" includes the revaluation of the company Cabel Holding s.p.a. for 194 thousand euro and the revaluation of the company Cabel Industry s.p.a. for 54 thousand euro.
The data for the 2020 financial statements refer to the last financial statements approved by the subsidiaries (31/12/2019).
The data for the 2019 financial statements refer to the last financial statements approved by the subsidiaries (31/12/2018).

7.7 Equity investments: commitments referred to investments in companies subject to significant influence
There are no investments that may generate potential liabilities deriving from any joint investment.

7.8 Equity investments: restrictions
There are no significant restrictions referred to investments in companies subject to significant influence.

Section 8 - Property, plants and equipment - Line item 80

8.1 Property, plants and equipment with a functional use: breakdown of assets measured at cost

Assets/values	Total 31/12/2020	Total 31/12/2019
1. Owned assets	**55,663**	**56,879**
a) land	11,127	11,127
b) buildings	30,448	31,198
c) furniture	9,595	9,646
d) electronic equipment	975	899
e) other	3,518	4,009
2. Rights of use purchased through leases	**15,809**	**16,417**
a) land	0	0
b) buildings	15,758	16,409
c) furniture	0	0
d) electronic equipment	0	0
e) other	51	7
Total	**71,472**	**73,296**
of which: obtained by enforcing guarantees	0	0

Note:
All the Bank's property, plants and equipment are measured at cost; the line item "land" indicates the value of the land, which is separated from the value of the buildings.
Sub-line item 2 shows the rights of use purchased with financial leases, subsequent to coming into effect of the new IFRS 16 accounting principle starting 1.1.2019.

8.6 Property, plants and equipment with a functional use: Annual variations

Line items	Land	Buildings	Furniture	Electronic equipment	Other	Total 31/12/2020
A. Initial gross value	**11,127**	**65,474**	**13,905**	**3,477**	**12,214**	**106,197**
A.1 Total net reductions of value	0	17,866	4,259	2,578	8,198	32,900
A.2 Initial net value	**11,127**	**47,608**	**9,646**	**899**	**4,017**	**73,296**
A.3 Modification of opening balances (FTA IFRS16)	0	0	0	0	0	0
A.4 Net balance	**11,127**	**47,608**	**9,646**	**899**	**4,017**	**73,296**
B. Additions:	**0**	**2,649**	**367**	**412**	**983**	**4,411**
B.1 Purchases	0	1,886	367	412	965	3,630
B.2 Expenses for capitalized improvements	0	349	0	0	0	349
B.3 Write-backs of value	0	0	0	0	0	0
B.4 Increases of fair value allocated to:	0	0	0	0	0	0
a) shareholders’ equity	0	0	0	0	0	0
b) income statement	0	0	0	0	0	0
B.5 Increases in exchange rates	0	0	0	0	0	0
B.6 Transfers from real property held for investment	0	0	0	0	0	0
B.7 Other variations	0	414	0	0	18	433
C. Reductions:	**0**	**4,051**	**418**	**336**	**1,431**	**6,236**
C.1 Sales	0	135	0	0	34	169
C.2 Depreciation	0	3,387	418	336	1,396	5,537
C.3 Value adjustments from impairment allocated to:	0	0	0	0	0	0
a) shareholders’ equity	0	0	0	0	0	0
b) income statement	0	0	0	0	0	0
C.4 Decreases of fair value allocated to:	0	0	0	0	0	0
a) shareholders’ equity	0	0	0	0	0	0
b) income statement	0	0	0	0	0	0
C.5 Decreases in exchange rates	0	0	0	0	0	0
C.6 Transfers to:	0	0	0	0	0	0
a) property, plants and equipment held as investments	0	0	0	0	0	0
b) non-current assets and groups of assets in the course of divestment	0	0	0	0	0	0
C.7 Other variations	0	529	0	0	0	529
D. Final net values	**11,127**	**46,206**	**9,595**	**975**	**3,569**	**71,472**
D.1 Total net reductions of value	0	20,838	4,677	2,914	9,576	38,005
D.2 Final gross values	**11,127**	**67,044**	**14,272**	**3,889**	**13,144**	**109,477**
E. Measurement at cost	**0**	**0**	**0**	**0**	**0**	**0**

Notes:
Line item B.1 "Purchases" includes renewals of contracts for goods purchased through lease contracts. These amounts are detailed in B 8.6 bis.

Depreciation was measured *pro rata* as specified below:

Type	Percent
- Land	0.00%
- Buildings	3.00%
- Artwork	0.00%
- Furniture and furnishings	12.00%
- AED plants, machinery and equipment	20.00%
- Technical plants, machinery and equipment	15.00%
- Vehicles	20.00%
- Rights of use	Based on the duration of the contract

8.6 bis Of which - Property, plants and equipment with a functional use – Rights of use acquired through leases: Annual variations

Line items	Land	Buildings	Furniture	Electronic equipment	Other	Total 31/12/2020
A. Initial gross value	**0**	**18,591**	**0**	**0**	**28**	**18,619**
A.1 Total net reductions of value	0	2,181	0	0	21	2,202
A.2 Initial net value	**0**	**16,409**	**0**	**0**	**7**	**16,417**
A.3 Modification of opening balances (FTA IFRS16)	0	0	0	0	0	0
A.4 Net balance	**0**	**16,409**	**0**	**0**	**7**	**16,417**
B. Additions:	**0**	**1,886**	**0**	**0**	**68**	**1,954**
B.1 Purchases	0	1,886	0	0	68	1,954
B.2 Expenses for capitalized improvements	0	0	0	0	0	0
B.3 Write-backs of value	0	0	0	0	0	0
B.4 Increases of fair value allocated to:	0	0	0	0	0	0
a) shareholders' equity	0	0	0	0	0	0
b) income statement	0	0	0	0	0	0
B.5 Increases in exchange rates	0	0	0	0	0	0
B.6 Transfers from buildings held for investment	0	0	0	0	0	0
B.7 Other variations	0	0	0	0	0	0
C. Reductions:	**0**	**2,537**	**0**	**0**	**24**	**2,562**
C.1 Sales	0	0	0	0	0	0
C.2 Depreciation	0	2,315	0	0	24	2,339
C.3 Value adjustments from impairment allocated to:	0	0	0	0	0	0
a) shareholders' equity	0	0	0	0	0	0
b) income statement	0	0	0	0	0	0
C.4 Decreases of fair value allocated to:	0	0	0	0	0	0
a) shareholders' equity	0	0	0	0	0	0
b) income statement	0	0	0	0	0	0
C.5 Decreases in exchange rates	0	0	0	0	0	0
C.6 Transfers to:	0	0	0	0	0	0
a) property, plants and equipment held as investments	0	0	0	0	0	0
b) non-current assets and groups of assets in the course of divestment	0	0	0	0	0	0
C.7 Other variations	0	223	0	0	0	223
D. Final net values	**0**	**15,758**	**0**	**0**	**51**	**15,809**
D.1 Total net reductions of value	**0**	**4,496**	**0**	**0**	**45**	**4,541**
D.2 Final gross values	**0**	**20,253**	**0**	**0**	**96**	**20,350**
E. Measurement at cost	**0**	**0**	**0**	**0**	**0**	**0**

Section 9 - Intangible assets - Line item 90

9.1 Intangible assets: breakdown by type of asset

Asset/values	Total 31/12/2020		Total 31/12/2019	
	Limited duration	Indefinite duration	Limited duration	Indefinite duration
A.1 Goodwill	**0**	**0**	**0**	**3,140**
A.2 Other intangible assets	**3,234**	**0**	**1,946**	**0**
A.2.1 Assets measured at cost:	3,234	0	1,946	0
a) Intangible assets generated internally	0	0	0	0
b) Other assets	3,234	0	1,946	0
A.2.2 Assets measured at fair value:	0	0	0	0
a) Intangible assets generated internally	0	0	0	0
b) Other assets	0	0	0	0
Total	**3,234**	**0**	**1,946**	**3,140**

Notes:
All the Bank's intangible assets are measured at cost.
The goodwill that was booked at 31/12/2019 referred to the purchase of Banca A.G.C.I. S.p.A. on operating date01/01/2017 as part of the "way-out" operation. The goodwill in question was wholly depreciated during the first fiscal year, as shown in the table below.

Detailed information regarding the calculation of the amounts for Goodwill and the respective impairment is provided in "Part A.2 – PART RELATIVE TO THE PRINCIPLE LINE ITEMS OF THE BALANCE SHEET - Other information – Information regarding goodwill impairment tests - Information required in compliance to joint Bank of Italy, Consob, Isvap document n. 4 of 03/03/2010, in these Explanatory Notes, to which full reference is made.

The table below illustrates the goodwill variations in 2020 subsequent to impairment.

Detail of line item A.1 Goodwill

	Initial value (cost)	Impairment	Book value at 31/12/2020
Bologna branch	1,772	1,772	0
Turin branch	0	0	0
Rome branch	1,368	1,368	0
TOTAL	**3,140**	**3,140**	**0**

9.2 Intangible assets: annual variations

Line items	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total 31/12/2020
		limited duration	Unlimited duration	limited duration	Unlimited duration	
A. Initial gross value	**6,975**	**0**	**0**	**6,273**	**0**	**13,248**
A.1 Total net reductions of value	3,834	0	0	4,328	0	8,162
A.2 Initial net value	**3,140**	**0**	**0**	**1,946**	**0**	**5,086**
B. Additions	**0**	**0**	**0**	**1,897**	**0**	**1,897**
B.1 Purchases	0	0	0	1,897	0	1,897
B.2 Increases of internal intangible assets	0	0	0	0	0	0
B.3 Write-backs of value	0	0	0	0	0	0
B.4 Increases of fair value	0	0	0	0	0	0
- to shareholders' equity	0	0	0	0	0	0
- to income statement	0	0	0	0	0	0
B.5 Increases in exchange rates	0	0	0	0	0	0
B.6 Other variations	0	0	0	0	0	0
C. Reductions	**3,140**	**0**	**0**	**609**	**0**	**3,749**
C.1 Sales	0	0	0	0	0	0
C.2 Value adjustments	3,140	0	0	609	0	3,749
- Depreciation	0	0	0	609	0	609
- Write-downs	3,140	0	0	0	0	3,140
+ shareholders' equity	0	0	0	0	0	0
+ income statement	3,140	0	0	0	0	3,140
C.3 Decreases of fair value	0	0	0	0	0	0
- to shareholders' equity	0	0	0	0	0	0
- to income statement	0	0	0	0	0	0
C.4 Transfers to noncurrent assets in course of divestment	0	0	0	0	0	0
C.5 Decreases in exchange rates	0	0	0	0	0	0
C.6 Other variations	0	0	0	0	0	0
D. Final net values	**0**	**0**	**0**	**3,234**	**0**	**3,234**
D.1 Total net value adjustments	6,975	0	0	4,936	0	11,911
E. Final gross values	**6,975**	**0**	**0**	**8,170**	**0**	**15,145**
F. Measurement at cost	0	0	0	0	0	0

Notes:
Other intangible assets consist in goodwill and the cost of company software.

Section 10 - Tax receivables and tax liabilities- Asset line item 100 and Liabilities line item 60

10.1 Assets from pre-paid taxes: breakdown

Line items/Values	Total 31/12/2020	Total 31/12/2019
1. Multi-year costs	0	0
2. Personnel costs	444	389
3. Receivables	19,143	21,811
4. Entertainment expenses	0	0
5. Financial instruments (HTC securities)	930	503
6. Tax losses	1,843	0
7. Goodwill	1,717	916
8. Other	122	0
Total	**24,197**	**23,619**

Notes:
The line item "Financial instruments" shows tax receivables related to financial instruments classified in the portfolio of financial assets measured at fair value with impact on total profits.
The line item "Tax losses" shows tax liabilities related to tax losses registered during the fiscal year.

Breakdown of assets for pre-paid taxes point 3. Receivables from the previous Table:

N.	Line items/Values	Total 31/12/2020	Total 31/12/2019
1.	IRAP (tax on productive activities) scheduled for 2018 – deferred to 2026	0	0
2.	IRES (corporate income tax) scheduled for 2018 – deferred to 2026	0	0
3.	IRAP (tax on productive activities) scheduled for 2019 – deferred to 2027	0	0
4.	IRES (corporate income tax) scheduled for 2019 – deferred to 2027	0	0
5.	IRAP (tax on productive activities) scheduled for 2020	0	353
6.	IRES (corporate income tax) scheduled for 2020	0	2,315
7.	IRAP (tax on productive activities) scheduled for 2021	353	353
8.	IRES (corporate income tax) scheduled for 2021	2,315	2,315
9.	IRAP (tax on productive activities) scheduled for 2022	353	353
10.	IRES (corporate income tax) scheduled for 2022	2,315	2,315
11.	IRAP (tax on productive activities) scheduled for 2023	353	353
12.	IRES (corporate income tax) scheduled for 2023	2,315	2,315
13.	IRAP (tax on productive activities) scheduled for 2024	353	353
14.	IRES (corporate income tax) scheduled for 2024	2,315	2,315
15.	IRAP (tax on productive activities) scheduled for 2025	147	147
16.	IRES (corporate income tax) scheduled for 2025	965	965
17.	IRAP (tax on productive activities) scheduled for 2026	294	294
18.	IRES (corporate income tax) scheduled for 2026	1,929	1,929
19.	IRAP (tax on productive activities) scheduled for 2027	353	353
20.	IRES (corporate income tax) scheduled for 2027	2,315	2,315
21.	IRAP (tax on productive activities) on adjustments due to FTA IFRS9 for 2028	416	416
22.	IRES (corporate income tax) on adjustments due to FTA IFRS9 for 2028	2,052	2,052
	Total	**19,143**	**21,811**

10.2 Liabilities for deferred taxes: breakdown

Line items/Values	Total 31/12/2020	Total 31/12/2019
1. Property, plants, equipment	0	1,820
2. Personnel costs	0	0
3. Former credit risk fund	0	0
4. Equity investments	46	46
5. Financial instruments (HTC securities)	111	183
6. Goodwill	0	110
7. Other	100	97
Total	**257**	**2,256**

Notes:
The line item "Equity investments" shows tax liabilities referred to equity investments calculated at the IRES rate (27.50%) on 5.00% of overall capital gain (3,344 thousand euro).

The line "Financial instruments" shows tax liabilities related to financial instruments classified in the portfolios of financial assets measured at fair value with impact on total profits.

10.3 Variations to pre-paid taxes (as an offset to the income statement)

Line items	Total 31/12/2020	Total 31/12/2019
1. Initial value	**22,727**	**19,883**
2. Additions	**2,831**	**2,882**
2.1 Pre-paid taxes recognised during the fiscal year	2,831	2,882
a) related to previous fiscal years	0	0
b) due to change to accounting policies	0	0
c) write-backs of value	0	0
d) other	2,831	2,882
2.2 New taxes or increases of tax rates	0	0
2.3 Other additions	0	0
3. Reductions	**2,734**	**39**
3.1 Pre-paid taxes derecognised during the fiscal year	2,734	39
a) reversals	2,734	39
b) write-downs for receivables written off as unrecoverable	0	0
c) changes to accounting principles	0	0
d) other	0	0
3.2 Reductions of tax rates	0	0
3.3 Other reductions	0	0
a) Transformation in tax credits pursuant to Law n. 214/2011	0	0
b) other	0	0
4. Final value	**22,824**	**22,727**

Notes:
The table summarizes all pre-paid taxes which will be absorbed in subsequent fiscal years as offsets to the income statement.
The sub-line item "d) other" under Additions includes the recognition of receivables for pre-paid taxes on goodwill for an amount of 867 thousand euro and on tax losses for 1,843 thousand euro.

10.3.1 Variations of pre-paid taxes as per Law 214/2011 (as offset in the income statement)

Line items	Total 31/12/2020	Total 31/12/2019
1. Initial value	**19,343**	**19,343**
2. Additions	**0**	**0**
3. Reductions	**2,668**	**0**
3.1 reversals	2,668	0
3.2 transformation into tax credits	0	0
a) deriving from operating losses	0	0
b) deriving from tax losses	0	0
3.3 other reductions	0	0
4. Final value	**16,675**	**19,343**

Notes:
There is no value recorded for line item 3.1 "reversals" for the current fiscal year, in that article 1, sub-section 712 of Law 160/2019 (Budget Law for 2020) contemplates, for the purpose of both IRES (corporate income tax) and IRAP (tax on productive activities), reversal from the fiscal year at 31 December 2019 to the fiscal year at 31 December 2022 and the three subsequent years, of a 12% reduction of write-downs and losses on receivables.

10.4 Variations of deferred taxes (as offset in the income statement)

Line items	Total 31/12/2020	Total 31/12/2019
1. Initial value	**2.027**	**2.150**
2. Additions	**3**	**43**
2.1 Deferred taxes recognised during the fiscal year	3	43
a) related to previous fiscal years	0	0

Line items	Total 31/12/2020	Total 31/12/2019
b) due to a change of accounting policies	0	0
c) other	3	43
2.2 New taxes or increases of tax rates	0	0
2.3 Other additions	0	0
3. Reductions	**1,930**	**166**
3.1 Deferred taxes derecognised during the fiscal year	1,930	166
a) reversals	1,930	166
b) due to a change of accounting policies	0	0
c) other	0	0
3.2 Reductions of tax rates	0	0
3.3 Other reductions	0	0
4. Final value	**100**	**2,027**

Notes:
The table summarizes all deferred taxes that will be absorbed during subsequent fiscal years as offsets in the income statement.
The sub-line item “a) reversals" under Reductions includes the release in the amount of 1,930 thousand euro of deferred tax liabilities previously booked on greater accounting values of property plants and equipment in accordance with the option to realign the relative tax values exercised by the Bank in compliance with the provisions of Law Decree n. 104/2020 (so-called August Decree).

10.5 Variations to pre-paid taxes (as offset to shareholders’ equity)

Line items	Total 31/12/2020	Total 31/12/2019
1. Initial value	**892**	**2,680**
2. Additions	**482**	**76**
2.1 Pre-paid taxes recognised during the fiscal year	482	76
a) related to previous fiscal years	0	0
b) due to changes to accounting policies	0	0
c) other	482	76
2.2 New taxes or increases in tax rates	0	0
2.3 Other additions	0	0
3. Reductions	**0**	**1,863**
3.1 Pre-paid taxes derecognised during the fiscal year	0	1,863
a) reversals	0	1,863
b) write-downs for receivables written off as unrecoverable	0	0
c) due to changes to accounting policies	0	0
d) other	0	0
3.2 Reductions of tax rates	0	0
3.3 Other reductions	0	0
4. Final value	**1,374**	**892**

Note:
The variations are due to pre-paid taxes recorded in movements of reserves of shareholders’ equity relative to financial instruments classified in the portfolios of financial assets measured fair value with impact on total profits.

10.6 Variations in deferred taxes (as offset to shareholders’ equity)

Line items	Total 31/12/2020	Total 31/12/2019
1. Initial value	**229**	**46**
2. Additions	**0**	**183**
2.1 Deferred taxes recognised during the fiscal year	0	183
a) related to previous fiscal years	0	0
b) due to changes to accounting policies	0	0
c) other	0	183
2.2 New taxes or increases in tax rates	0	0
2.3 Other additions	0	0
3. Reductions	**72**	**0**

Line items	Total 31/12/2020	Total 31/12/2019
3.1 Deferred taxes derecognised during the fiscal year	72	0
a) reversals	72	0
b) due to changes to accounting policies	0	0
c) other	0	0
3.2 Reductions in tax rates	0	0
3.3 Other reductions	0	0
4. Final value	**157**	**229**

10.7 Other information – Assets due to current taxes – Breakdown

Line items	Total 31/12/2020	Total 31/12/2019
1. Advances paid to the tax authority	**10,935**	**4,140**
2. Tax receivables – principal	0	60
3. Tax receivables - interest	0	0
4. Other withholdings	140	134
Total	**11,075**	**4,334**

Notes:
Assets due to current taxes for the accounting period closed at 31 December 2020 are shown on a "closed" account basis in the balance sheet and on an "open" account basis in the table above.

10.7 Other information – Liabilities due to per current taxes – Breakdown

Line items	Total 31/12/2020	Total 31/12/2019
1. Fund for IRES tax	510	5,625
2. Fund for IRAP tax	78	1,400
3. Fund for stamp duties	31	136
4. Tax fund – substitute tax Law n.244/2007	0	0
5. Tax fund - Other	18	152
Total	**636**	**7,313**

Section 12 - Other assets - Line item 120

12.1 Other assets: breakdown

Line items	Total 31/12/2020	Total 31/12/2019
01. Other debtors	4,361	2,116
02. Entries in transmit	215	143
03. Entries being processed	16,746	16,868
04. Various entries to be settled	128	217
05. Stipulated loans to be disbursed	14,863	19,494
06. Checks, bills returned unpaid and protested	135	83
07. Assets sold and not derecognised	0	0
08. Assets for expenses on third party goods	899	1,030
09. Expenses not yet invoiced	171	78
10. Costs to be allocated	0	0
11. Advance operations on securities	718	197
12. Various open entries	5,421	7,896
13. Accrued income and prepayments	2,140	2,880
14. Securities to be settled (Sales)	0	1
15. Loans for tax bonuses	45	0
Total	**45,842**	**51,003**

LIABILITIES

Section 1 - Financial liabilities valued at amortized cost - Line item 10

1.1 Financial liabilities valued at amortized cost: breakdown by type of payables to banks

Type of transaction/Values	Total 31/12/2020				Total 31/12/2019				Var.	% var.
	Book value	Fair value			Book value	Fair value				
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3		
1. Payables to central banks	**786,725**	**0**	**0**	**786,725**	**423,884**	**0**	**0**	**423,884**	**362,841**	**0.09%**
2. Payables to banks	**72,944**	**0**	**0**	**72,944**	**134,387**	**0**	**0**	**134,387**	**-61,443**	**-0.05%**
2.1 Current accounts and demand deposits	68,334	0	0	68,334	122,677	0	0	122,677	-54,344	-0.04%
2.2 Time deposits	0	0	0	0	7,654	0	0	7,654	-7,654	-0.10%
2.3 Loans	4,610	0	0	4,610	4,056	0	0	4,056	554	0.01%
2.3.1 Repurchase agreements – payable	0	0	0	0	0	0	0	0	0	0.00%
2.3.2 Other	4,610	0	0	4,610	4,056	0	0	4,056	554	0.01%
2.4 Liabilities for commitments to repurchase own shares	0	0	0	0	0	0	0	0	0	0.00%
2.5 Liabilities for leases	0	0	0	0	0	0	0	0	0	0.00%
2.6 Other liabilities	0	0	0	0	0	0	0	0	0	0.00%
Total	**859,669**	**0**	**0**	**859,669**	**558,272**	**0**	**0**	**558,272**	**301,397**	**0.05%**

Notes:
Payables to banks are all measured at cost or at amortized cost.
The line item “Payables to central banks” includes the TLTROII opened by the Bank during 2020 for € 786,725 thousand euro.
The amount at 31/12/2020 is less the interest expenses calculated at a -1.00% tax rate from the date of initiation (3,275 thousand euro).

1.2 Financial liabilities valued at amortized cost: breakdown by type of payables to customers

Type of transaction/Values	Total 31/12/2020				Total 31/12/2019				Var.	% var.
	Book value	Fair value			Book value	Fair value				
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3		
1. Current accounts and demand deposits	2,102,386	0	0	2,102,386	1,891,181	0	0	1,891,181	211,205	11.17%
2. Time deposits	567,949	0	0	567,949	528,641	0	0	528,641	39,308	7.44%
3. Loans	13,675	0	0	13,675	336,485	0	0	336,485	-322,810	-95.94%
3.1 Repurchase agreements – liabilities	13,004	0	0	13,004	333,563	0	0	333,563	-320,559	-96.10%
3.2. Other	672	0	0	672	2,922	0	0	2,922	-2,251	-77.02%
4. Liabilities for commitments to repurchase own shares	0	0	0	0	0	0	0	0	0	0.00%
5. Liabilities for leases	16,113	0	0	16,113	16,628	0	0	16,628	-515	-3.10%
6. Other liabilities	193	0	0	193	380	0	0	380	-187	-49.16%
Total	**2,700,316**	**0**	**0**	**2,700,316**	**2,773,316**	**0**	**0**	**2,773,316**	**-72,999**	**-2.63%**

Notes:
Payables to customers are all measured at cost or at amortized cost.
Line item 3.2 "Loans - Others" includes transactions with Cassa Depositi e Prestiti s.p.a..
Line item 5 "Liabilities for leases" includes liabilities for leases booked in accordance with the new IFRS16 accounting principle.

1.3 Financial liabilities valued at amortized cost: breakdown by type of outstanding securities

Type of security/Values	Total 31/12/2020				Total 31/12/2019			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. Securities	146,523	0	0	146,523	171,722	0	0	171,722
1.1 structured	0	0	0	0	4,898	0	0	4,898
1.2 other	146,523	0	0	146,523	166,825	0	0	166,825
2. Other securities	115	0	0	115	417	0	0	417

Type of security/Values	Total 31/12/2020				Total 31/12/2019			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
2.1 structured	0	0	0	0	0	0	0	0
2.2 other	115	0	0	115	417	0	0	417
Total	**156,638**	**0**	**0**	**156,638**	**172,139**	**0**	**0**	**172,139**

Notes:
All of the liabilities are measured at cost or at amortized cost, with the exception of entries that are the object of specific hedges of the interest rate risk on which the effect of the Swap was capitalized.
Liabilities are indicated net of repurchased bonds.
The table indicates deposits consisting of securities that also include, in addition to bonds, outstanding and matured certificates of deposit to be repaid.
The aggregate decreased with respect to the previous fiscal year by 25,501 thousand euro (-14.8%).

1.4 Financial liabilities valued at amortized cost: detail of subordinate securities/liabilities

ISIN	Date of issue	Date of redemption	Issue value	Amount attributable to own funds
- IT0005337719	28/06/2018	28/06/2025	45,000	40,416
- IT0005371270	10/06/2019	10/06/2029	5,000	5,000
- IT0005376287	20/06/2019	20/06/2029	1,000	1,000
- IT0005385668	25/09/2019	25/09/2029	2,000	2,000
- IT0005391518	05/12/2019	05/12/2029	1,000	1,000
- IT0005396426	20/12/2019	20/12/2024	3,000	2,381
Total			**57,000**	**51,797**

1.6 Financial liabilities valued at amortized cost: Liabilities for leases

TIME BRACKETS	Total 31/12/2020	
	Payments due	
	Financial leases	Operating leases
Up to 1 year	0	13
From over 1 year to 2 years	0	56
From over 2 years to 3 years	0	198
From over 3 years to 4 years	0	227
From over 4 years to 5 years	0	1,664
Over 5 years	0	13,928
All payments due for the lease	**0**	**16,087**
RECONCILIATION WITH LIABILITIES:		
Financial profits not accrued (-) (discount effect)	0	25
Liabilities for leases	**0**	**16,113**

Note:
Please note that Table “1.6 Liabilities for leases” shows an analysis by time brackets of liabilities referred to leases, as required by the IFRS16 accounting standard and by the 6th update of Bank of Italy Circular n. 262.

Section 2 - Financial liabilities from trading - Line item 20

2.1 Financial liabilities from trading: breakdown by type

Type of transaction/Values	Total 31/12/2020					Total 31/12/2019				
	Notional value	Fair value			Fair Value (*)	Notional value	Fair value			Fair Value (*)
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
A. Cash liabilities	0	0	0	0	0	0	0	0	0	0
1. Payables to banks	0	0	0	0	0	0	0	0	0	0
2. Payables due to customers	0	0	0	0	0	0	0	0	0	0
3. Debt securities	0	0	0	0	0	0	0	0	0	0
3.1 Securities	0	0	0	0	0	0	0	0	0	0

Type of transaction/Values	Total 31/12/2020					Total 31/12/2019				
	Notional value	Fair value			Fair Value (*)	Notional value	Fair value			Fair Value (*)
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
3.1.1 structured	0	0	0	0	0	0	0	0	0	0
3.1.2 Other securities	0	0	0	0	0	0	0	0	0	0
3.2 Other securities	0	0	0	0	0	0	0	0	0	0
3.2.1 structured	0	0	0	0	0	0	0	0	0	0
3.2.2 Other	0	0	0	0	0	0	0	0	0	0
Total A	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
B. Derivative instruments	**0**	**0**	**0**	**641**	**0**	**0**	**0**	**0**	**313**	**0**
1. Financial derivatives	0	0	0	641	0	0	0	0	313	0
1.1 From trading	0	0	0	641	0	0	0	0	313	0
1.2 Connected with the fair value option	0	0	0	0	0	0	0	0	0	0
1.3 Other	0	0	0	0	0	0	0	0	0	0
2. Credit derivatives	0	0	0	0	0	0	0	0	0	0
2.1 From trading	0	0	0	0	0	0	0	0	0	0
2.2 Connected with the fair value option	0	0	0	0	0	0	0	0	0	0
2.3 Other	0	0	0	0	0	0	0	0	0	0
Total B	**0**	**0**	**0**	**641**	**0**	**0**	**0**	**0**	**313**	**0**
Total A + B	**0**	**0**	**0**	**641**	**0**	**0**	**0**	**0**	**313**	**0**

Key
FV (*) - fair value measured excluding variations in value due to changes in issuer creditworthiness with respect to the date of issue.

Section 4 - Hedges - Line item 40

4.1 Hedges: breakdown by type of hedge and hierarchical level

Line items	Fair value 31/12/2020			Notional value 31/12/2020	Fair value 31/12/2019			Notional value 31/12/2019
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	**0**	**0**	**419**	**20,000**	**0**	**0**	**614**	**25,000**
1) Fair value	0	0	419	20,000	0	0	614	25,000
2) Cash flows	0	0	0	0	0	0	0	0
3) Foreign investments	0	0	0	0	0	0	0	0
B. Credit derivatives	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
1) Fair value	0	0	0	0	0	0	0	0
2) Cash flows	0	0	0	0	0	0	0	0
Total	**0**	**0**	**419**	**20,000**	**0**	**0**	**614**	**25,000**

Note:
The table shows the negative balance sheet value (fair value) of hedge contracts, using the hedge accounting instrument.
Specifically, a bond issued by the Bank was hedged in order to hedge the relative interest rate risk.

4.2 Hedges: breakdown by hedged portfolio and by type of hedge

Transactions/Type of hedge	Fair Value							Cash flows		Foreign investments
	Specific						Generic	Specific	Generic	
	Debt securities and interest rates	Capital securities and equity indexes	Currency and gold	Credit	Goods	Other				
1. Financial assets measured at fair value with impact on total profits	419	0	0	0	0	0	0	0	0	0
2. Financial assets measured at amortized cost	0	0	0	0	0	0	0	0	0	0
3. Portfolio	0	0	0	0	0	0	0	0	0	0

Transactions/Type of hedge	Fair Value							Cash flows		Foreign investments
	Specific						Generic	Specific	Generic	
	Debt securities and interest rates	Capital securities and equity indexes	Currency and gold	Credit	Goods	Other				
4. Other transactions	0	0	0	0	0	0	0	0	0	0
Total assets	**419**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
1. Financial liabilities	0	0	0	0	0	0	0	0	0	0
2. Portfolio	0	0	0	0	0	0	0	0	0	0
Total liabilities	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
1. Expected transactions	0	0	0	0	0	0	0	0	0	0
2. Portfolio of financial assets and liabilities	0	0	0	0	0	0	0	0	0	0

Section 8 - Other liabilities - Line item 80

8.1 Other liabilities: breakdown

Line items	Total 31/12/2020	Total 31/12/2019
01. Various tax entries	5,069	4,882
02. Entries in transit	736	832
03. Differences receivable on offsets of third party portfolios	39,936	40,311
04. Suppliers	4,638	3,052
05. Entries being processed and other creditors	30,183	32,889
06. Accrued liabilities and deferred income	3,483	3,616
07. Borrower accounts for stipulated loans to be disbursed	14,863	19,494
08. Securities to be settled (purchases)	12,515	0
Total	**111,421**	**105,075**

Section 9 - Employee severance pay - Line item 90

9.1 Employee severance pay: Annual variations

Line items	Total 31/12/2020	Total 31/12/2019
A. Initial value	**3,864**	**3,771**
B. Additions	**1,387**	**1,469**
B.1 Allocations during the fiscal year	1,121	1,147
B.2 Other variations	266	322
C. Reductions	**1,214**	**1,376**
C.1 Payments made	93	229
C.2 Other variations	1,121	1,147
D. Final values	**4,036**	**3,864**
Total	**4,036**	**3,864**

Note:

Line item B.1 "Allocations during the fiscal year" includes severance pay matured during the fiscal year in the amount of 1,121 thousand euro.

Line item B.2 "Other variations" includes "Interest Cost", in the amount of 16 thousand euro, “Service Cost” for 50 thousand euro and Actuarial Gains/Losses for 200 thousand euro.

Line item C.1 "Payments made" includes "Benefit Paid" for IAS purposes of employee severance pay for 93 thousand euro.

Line item C.2 "Other variations" includes employee severance pay transferred to the employee Supplementary Pension Fund (external fund) or INPS Treasury, for 1,121 thousand euro.

Other information

In accordance with the provisions of IAS 19, employee severance pay was measured by applying specific discounting estimations provided for the treatment of defined performance funds.

The measurement, certified by designated external experts, was made using the "accrued benefits" method, through the "Projected Unit Credit" (PUC) criterion, as required by IAS 19, and considering the following demographic and financial hypotheses:

- the annual discount rate used to calculate the current value of the security is -0.182% and was determined, in conformity to par. 83 of IAS 19, in reference to the structure for expiry of interest rates derived using the bootstrap method from the curve of swap rates as at 31.12.2020 and fixed with respect to liabilities with an average residual duration equal to 12 years;
- the annual rate of increase of severance pay as provided for by art. 2120 of the Italian Civil Code is equal to 75% of inflation plus 150 basis points;

- the annual inflation rate applied from 2020 on is equal to 2%;
- among demographic technical bases, the probabilities of death were deduced from those for the Italian population divided by gender and age measured by ISTAT in 2000 and reduced by 25%;
- the annual frequencies for advances and turnover were deduced based on the Bank's historical experience.

The measurement of employee severance pay using the abovementioned methods gave the following results:

Line items/Values	Total 31/12/2020
Current value of fixed benefit securities at 31/12/2019	**3,864**
Total service costs 01/01/2020 - 31/12/2020	50
Costs for interest 01/01/2020 - 31/12/2020	16
Net periodic costs	66
Actuarial Profit (+)/ Loss (-)01/01/2020 - 31/12/2020	200
Lending 01/01/2020 -31/12/2020	93
Current value of fixed benefit securities at 31/12/2020	**4,036**

Starting in 2013, with the application of the reviewed IAS 19 accounting standard, actuarial differences are booked directly to shareholders' equity. The volume of employee severance pay based on national regulations, and that with respect to the Bank's contract and legal obligations vis-à-vis employees amount so a € 3,058 million euro.

Section 10 - Risk and expense funds - Line item 100

10.1 Risk and expense funds: breakdown

Line items/Values	Total 31/12/2020	Total 31/12/2019
1. Funds for credit risk related to commitments and guarantees issued	2,445	2,096
2. Funds for other commitments and other guarantees issued	0	0
3. Funds for company pensions	0	0
4. Other risk and expense funds	170	54
4.1 lawsuits	170	54
4.2 personnel costs	0	0
4.3 other	0	0
Total	**2,615**	**2,150**

Potential liabilities relative to lawsuits for which loss of the dispute is considered "possible" amount to overall 2,039 thousand euro.

10.2 Risk and expense funds: Annual variations

Line items	Funds for other commitments and guarantees issued	Pension funds	Other funds	Total 31/12/2020
A. Initial value	**2,096**	**0**	**54**	**2,150**
B. Additions	**500**	**0**	**137**	**637**
B.1 Allocations during the fiscal year	500	0	137	**637**
B.2 Variations due to the passage of time	0	0	0	**0**
B.3 Variations due to changes to the discount rate	0	0	0	**0**
B.4 Other variations	0	0	0	**0**
C. Reductions	**151**	**0**	**21**	**172**
C.1 Use during the fiscal year	151	0	0	**151**
C.2 Variations due to changes to the discount rate	0	0	0	**0**
C.3 Other variations	0	0	21	**21**
D. Final values	**2,445**	**0**	**170**	**2,615**

10.3 Funds for credit risk related to commitments and guarantees issued

Line items	Funds for credit risk related to commitments and guarantees issued			
	First stage	Second stage	Third stage	Total 31/12/2020
1. Commitments to disburse funds	0	0	0	**0**
2. Financial guarantees issued	293	43	2,109	**2,445**
Total	**293**	**43**	**2,109**	**2,445**

Section 12 - Shareholders' equity - Line items 110, 130, 140, 150, 160, 170, and 180

12.2 Share capital – Number of shares: Annual variations

Line items/Types	Ordinary	Other
A. Outstanding shares at the start of the fiscal year	**232,800**	**0**
- entirely unrestricted	232,800	0
- with restrictions	0	0
A.1 Treasury shares (-)	0	0
A.2 Outstanding shares: initial value	**232,800**	**0**
B. Additions	**0**	**0**
B.1 New issues	0	0
- for payment:	0	0
- corporate merger operations	0	0
- conversion of securities	0	0
- exercise of warrants	0	0
- other	0	0
- on a gratuitous basis:	0	0
- to employees	0	0
- to directors	0	0
- other	0	0
B.2 Sale of treasury shares	0	0
B.3 Other variations	0	0
C. Reductions	**0**	**0**
C.1 Derecognition	0	0
C.2 Purchase of treasury shares	0	0
C.3 Sale of companies	0	0
C.4 Other variations	0	0
D. Outstanding shares: final values	**232,800**	**0**
D.1 Treasury shares (+)	0	0
D.2 Outstanding shares at the end of the fiscal year	232,800	0
- entirely unrestricted	232,800	0
- with restrictions	0	0

12.3 Share capital: other information - Annual variations

Line items	Amounts	Number of shares	Number of shareholders
A. Initial value	**232,800**	**232,800**	**286**
B. Additions	**153**	**153**	**3**
B.1 Purchase of shares – New shareholders	83	83	3
B.2 From other additions	70	70	0
C. Reductions	**153**	**153**	**13**
C.1 Redemptions – extinct shareholders	117	117	13
C.2 From other reductions	36	36	0
D. Final values	**232,800**	**232,800**	**276**

12.4 Reserves from gains: other information - breakdown of shareholders' equity

Line items	Total 31/12/2020	Total 31/12/2019
1. Share capital	232.800	232.800
2. Premiums on the issue of new shares	803	803
3. Reserves	-53.795	-66.995
3.1 Ordinary/extraordinary reserves	21.200	8.000
3.2 Regulatory reserve	0	0
3.3 Reserves - First Time Adoption IAS/IFRS	-78,146	-78,146
3.4 Reserves - Way Out	3,425	3,425

Line items	Total 31/12/2020	Total 31/12/2019
4. (Treasury shares)	0	0
5. Valuation reserves	584	1,846
5.1 Financial assets from trading	0	0
5.2 Financial assets measured at fair value with impact on total profits	-1,544	-426
5.3 Financial assets measured at amortized cost	0	0
5.4 Property, plants and equipment	0	0
5.5 Intangible assets	0	0
5.6 Hedging of foreign investments	0	0
5.7 Hedging of cash flows	0	0
5.8 Exchange rate differences	0	0
5.9 Noncurrent assets in course of divestment	0	0
5.10 Actuarial profit (loss) on defined benefit assets	-1,171	-1,026
5.11 Share of valuation reserves of equity investments measured on the basis of shareholders' equity	3,298	3,298
5.12 Special revaluation laws	0	0
6. Capital instruments	10,000	0
7. Profit (loss) for the fiscal year	8,100	13,200
Total	**198,492**	**181,655**

Notes:
Line item 3.3 Reserves - First Time adoption IAS/IFRS includes the FTA adjustment deriving from the application of the IFRS9 accounting standard that became effective on 01/01/2018.
The detail of the line item is shown at the bottom of the table regarding Variations of Shareholders' equity.

12.4 Reserves from gains: other information – division and use of fiscal year profit

Line items	Amount	Accounting classification of capital
- Legal reserves (5.00% of profit)	405	Increase of Liabilities line item 160 (Cet1)
- Extraordinary reserve (including the reserve pursuant to article 6 Legislative Decree 368/2005 for 696,437.56 Euro)	7,695	Increase of Liabilities line item 160 (Cet1)
- Shareholders for dividends	0	
Total	**8,100**	

12.5 Capital instruments: breakdown and annual variations

ISIN	Date of issue	Date of redemption	Issue value	Amount booked in own funds
- IT0005427023	23/11/2020	permanent	1,500	1,500
- IT0005429375	15/12/2020	permanent	3,500	3,500
- IT0005429755	21/12/2020	permanent	1,000	1,000
- IT0005431777	21/12/2020	permanent	500	500
- IT0005432130	28/12/2020	permanent	3,500	3,500
Total			**10,000**	**10,000**

Note:
Capital instruments underwritten during the fiscal year refer to n.5 new AT1 bond loans.

12.6 Other information – Schedule regarding the origin, level of availability and potential distribution of line items of shareholders' equity (art. 2427, sub-section 1 n. 7 bis, Italian Civil Code)
In accordance with article 2427, sub-section 7-bis of the Italian Civil Code, the table below shows the breakdown of shareholders' equity according to origin, level of availability and potential distribution of the various entries.

Line items	Amount	Level of availability	Available share	Summary of uses made in the last three fiscal years	
				To hedge losses	For other purposes
Share capital	232,800	B - C	232,800		0

Share premium reserve	803	B - C	803		0
Valuation reserves:					
- securities AFS revaluation reserve	-1,544	B	-1,544		
- reserve from equity investments	3,298	B	3,298		
Retained earnings:					
undividable legal/regulatory reserve	24,351	B	24,351		
- reserve from transition to International accounting standards	-78,146	B	-78,146		
Total	**180,392**		**180,392**		
Non distributable share			0		
Residual distributable share			180,392		

Key: A = to increase share capital - B = to hedge losses - C = to distribute to shareholders

Other information

1. Commitments and financial guarantees issued (other than those measured at fair value)

Line items	Nominal value on commitments and financial guarantees issued			Total 31/12/2020	Total 31/12/2019
	First stage	Second stage	Third stage		
1) Commitments to disburse funds	**949,813**	**50,398**	**11,083**	**1,011,293**	**856,213**
a) Central banks	0	0	0	**0**	**0**
b) Public administrations	680	0	0	**680**	**785**
c) Banks	2,500	0	0	**2,500**	**2,500**
d) Other financial companies	104,992	0	0	**104,992**	**73,802**
e) Non finance companies	764,698	47,391	10,595	**822,684**	**702,004**
f) Families	76,943	3,006	487	**80,437**	**77,122**
2) Financial guarantees issued	**92,608**	**4,676**	**3,316**	**100,601**	**92,005**
a) Central banks	0	0	0	**0**	**0**
b) Public administrations	123	0	0	**123**	**123**
c) Banks	0	0	0	**0**	**0**
d) Other financial companies	1,588	0	0	**1,588**	**1,865**
e) Non finance companies	80,840	4,108	2,817	**87,765**	**77,604**
f) Families	10,057	568	499	**11,124**	**12,413**
Total	**1,042,421**	**55,074**	**14,399**	**1,111,894**	**948,218**

2. Other commitments and other guarantees issued

Portfolios	Nominal value	
	Amount 31/12/2020	Amount 31/12/2019
1. Other guarantees issued	14,663	9,975
of which: impaired	0	0
a) Central banks	0	0
b) Public administrations	0	0
c) Banks	8,317	7,550
d) Other financial companies	0	0
e) Non finance companies	6,346	2,425
f) Families	0	0
2. Other commitments	0	499
of which: impaired	0	0
a) Central banks	0	0
b) Public administrations	0	0
c) Banks	0	499
d) Other financial companies	0	0
e) Non finance companies	0	0
f) Families	0	0

3. Assets pledged as collateral for own liabilities and commitments

Portfolios	Amount 31/12/2020	Amount 31/12/2019
1. Financial assets measured at fair value with recognition of income effects through profit and loss	0	0
2. Financial assets measured at fair value with impact on total profits	23,083	176,742
3. Financial assets measured at amortized cost	616,189	384,258
4. Property, plants and equipment	0	0
of which property, plants and equipment that constitute inventories	0	0

4. Management and trading on behalf of others

Type of service	Amount
1. Trading financial instruments on behalf of customers	**0**
a) Purchases	0
Settled	0
Not settled	0
b) Sales	0
Settled	0
Not settled	0
2. Asset management	**25,047**
3. Custody and management of Securities	**1,981,996**
a) third party securities in deposit: related to bank performance as depository bank (excluding asset management)	0
1. securities issued by the bank that prepares the balance sheet	0
2. other securities	0
b) third party securities on deposit (excluding asset management): other	497,052
1. securities issued by the bank that prepares the balance sheet	348,489
2. other securities	148,563
c) third party securities deposited with third parties	494,105
d) treasury securities deposited with third parties	990,840
4. Other transactions	**0**

5. Financial assets subject to on-balance sheet netting, or subject to master netting agreements or similar agreements

Technical forms	Gross amount of financial assets (a)	Amount of financial liabilities netted on-balance sheet (b)	Net amount of financial assets recorded in the balance sheet (c = a - b)	Correlated amounts not netted on-balance sheet		Net amount at 31/12/2020 (f = c - d - e)	Net amount at 31/12/2019
				Financial instruments (d)	Cash deposits received as collateral (e)		
1. Derivatives	8	0	8	0	0	8	13
2. Repurchase agreements	0	0	0	0	0	0	0
3. Loan securities	0	0	0	0	0	0	0
4. Other	0	0	0	0	0	0	0
Total at 31/12/2020	**8**	**0**	**8**	**0**	**0**	**8**	**0**
Total at 31/12/2019	**13**	**0**	**13**	**0**	**0**	**13**	**13**

Financial assets – List of transactions subject to netting agreements - Derivatives:

Counterparty	Derivative used	Deposit	Net amount
Banca IMI S.p.A.	8	180	**-172**
Total	**8**	**180**	**-172**

6. Financial liabilities subject to on-balance sheet netting, or subject to master netting agreements or similar agreements

Technical forms	Gross amount of financial liabilities (a)	Amount of financial liabilities netted on-balance sheet (b)	Net amount of financial assets registered in the balance sheet (c = a - b)	Correlated amounts not subject to on-balance sheet netting		Net amount at 31/12/2020 (f = c - d - e)	Net amount at 31/12/2019
				Financial instruments (d)	Cash deposits received as collateral (e)		
1. Derivatives	419	0	419	0	0	**419**	**614**
2. Repurchase agreements	0	0	0	0	0	**0**	**0**
3. Loan securities	0	0	0	0	0	**0**	**0**
4. Other	0	0	0	0	0	**0**	**0**
Total at 31/12/2020	**419**	**0**	**419**	**0**	**0**	419	**0**
Total at 31/12/2019	**614**	**0**	**614**	**0**	**0**	614	**614**

Financial liabilities – List of transactions subject to netting agreements - Derivatives:

Counterparty	Derivative used	Deposit	Net amount
Iccrea Banca S.p.A.	419	470	**-51**
Total	**419**	**470**	**-51**

PART C – Information on the income statement

Section 1 - Interest - Line items 10 and 20

1.1. Earned interest and similar income: breakdown

Line items/Technical forms	Debt securities	Loans	Other transactions	Total 31/12/2020	Total 31/12/2019	Var.	% var.
1. Financial assets measured at fair value with recognition of income effects through profit and loss:	437	0	0	437	880	-442	-50.28%
1.1 Assets held for trading	437	0	0	437	880	-442	-50.28%
1.2 Financial assets measured at fair value	0	0	0	0	0	0	0.00%
1.3 Other financial assets obligatorily measured at fair value	0	0	0	0	0	0	0.00%
2. Financial assets measured at fair value with impact on total profits	639	0	X	639	796	-156	-19.62%
3. Financial assets measured at amortized cost:	2,391	66,338	X	68,729	70,072	-1.342	-1.92%
3.1 Receivables from banks	0	173	X	173	754	-581	-77.07%
3.2 Receivables from customers	2,391	66,165	X	68,556	69,317	-761	-1.10%
4. Hedges	X	X	0	0	0	0	0.00%
5. Other assets	X	X	0	0	0	0	0.00%
6. Financial liabilities	X	X	X	4,657	2,886	1.771	61.37%
Total	**3,468**	**66,338**	**0**	**74,463**	**74,633**	**-170**	**-0.23%**
of which: earned interest on impaired financial assets	***0***	***5,033***	***0***	***5,033***	***5,707***	***-674***	***-11.80%***
of which: earned interest on financial leases	***0***	***395***	***0***	***395***	***430***	***-35,41***	***-8.23%***

Notes:

The line item "Earned interest on financial liabilities" includes interest on repurchase agreement transaction liabilities for 707 thousand euro, interest on the TLTRO transaction accrued during the 2020 fiscal year for 671 thousand euro and interest on the TLTROIII transaction accrued during the fiscal year for 3,275 thousand euro.

In compliance with the IFRS9 accounting principle, the line item "earned interest on impaired financial assets" amounting to 5,033 thousand euro, includes both earned interest due on passing of time (so-called time value) on non-performing loans, for 2.811 thousand euro, and interest accrued and collected on other non-performing loans for 185 thousand euro. The line item also includes interest accrued on other impaired loads for 2,038 thousand euro.

The reduction of the component, as compared to the previous year, is due to both the decrease of impaired financial assets and the drop in interest rates.

1.2 Earned interest and similar income: other information

1.2.1 Earned interest on financial assets in foreign currency

Line items/Values	Total 31/12/2020	Total 31/12/2019
Earned interest on financial assets in foreign currency	628	646

1.3 Interest expenses and similar expenses: breakdown

Line items/Technical forms	Liabilities	Securities	Other transactions	Total 31/12/2020	Total 31/12/2019	Var.	% var.
1. Financial liabilities valued at amortized cost	-7,326	-4,800	0	-12,126	-13,617	1,491	-0.01%
1.1 Payables to central banks	0	X	X	0	0	0	0.00%
1.2 Payables to banks	-771	**X**	X	-771	-875	104	-0.01%
1.3 Payables due to customers	-6,556	X	X	-6,556	-7,100	544	-0.01%
1.4 Outstanding securities	X	-4,800	X	-4,800	-5,643	843	-0.01%
2. Financial liabilities from trading	0	0	0	0	0	0	0.00%
3. Financial liabilities measured at fair value	0	0	0	0	0	0	0.00%
4. Other liabilities and funds	X	X	-156	-156	-321	164	-0.05%

Line items/Technical forms	Liabilities	Securities	Other transactions	Total 31/12/2020	Total 31/12/2019	Var.	% var.
5. Hedges	X	X	-267	-267	-269	2	0.00%
6. Financial assets	X	X	X	-260	-314	0	0.00%
Total	**-7,326**	**-4,800**	**-423**	**-12,809**	**-14,521**	**1,712**	**-0.01%**
of which: ***interest expenses for liabilities for leases***	***0***	***0***	***156***	***156***	***321***	***-164***	***-0.05%***

1.4 Interest expenses and similar expenses: other information
1.4.1 Interest expenses on liabilities in foreign currency

Line items/Values	Total 31/12/2020	Total 31/12/2019
Interest expenses on financial liabilities in foreign currency	-795	-875

1.5 Interest expenses and similar expenses: differences related to hedges

Line items	Total 31/12/2020	Total 31/12/2019
A. Positive difference related to hedges:	0	0
B. Negative difference related to hedges:	267	269
C. Balance (A-B)	**-267**	**-269**

Section 2 - Commissions - Line items 40 and 50

2.1 Commission income: breakdown

Type of services/Values	Total 31/12/2020	Total 31/12/2019	Var.	% var.
a) guarantees issued	577	554	23	4.23%
b) credit derivatives	0	0	0	0.00%
c) management, intermediation and consulting services:	5,587	5,645	-58	-1.02%
1 trading of financial instruments	0	0	0	-88.73%
2 trading of foreign currencies	660	797	-137	-17.16%
3 asset management	259	180	80	44.26%
4 custody and management of Securities	128	134	-6	-4.68%
5 depository bank	0	0	0	0.00%
6 securities placement	621	460	161	35.10%
7 receipt and transmission of orders	236	179	57	32.06%
8 consulting	0	0	0	0.00%
8.1 on investments	0	0	0	0.00%
8.2 on financial structure	0	0	0	0.00%
9 distribution of third party services	3,682	3,895	-213	-5.46%
9.1 asset management	0	0	0	0.00%
9.1.1 individual	0	0	0	0.00%
9.1.2 collective	0	0	0	0.00%
9.2 insurance products	2,841	2,569	272	10.60%
9.3 other products	841	1,326	-485	-36.58%
d) collection and payment services	6,492	7,494	-1,002	-13.37%
e) servicing for securitizations	199	184	15	7.93%
f) factoring services	0	0	0	0.00%
g) fiscal year tax collection and payee services	0	0	0	0.00%
h) asset management of multilateral exchange systems	0	0	0	0.00%
i) maintenance and management of bank accounts	14,581	15,245	-664	-4.35%
j) other services	2,390	1,647	743	45.14%
Total	**29,826**	**30,768**	**-942**	**-3.06%**

2.2 Commission income: distribution channels for products and services

Channels/Values	Total 31/12/2020	Total 31/12/2019
a) at its own branches:	**4,563**	**4,534**
1. asset management	259	180
2. securities placement	621	460
3. third party services and products	3,682	3,895
b) off-site offer:	**0**	**0**
1. asset management	0	0
2. securities placement	0	0
3. third party services and products	0	0
c) other distribution channels	**0**	**0**
1. asset management	0	0
2. securities placement	0	0
3. third party services and products	0	0

2.3 Commission expenses: breakdown

Services/Values	Total 31/12/2020	Total 31/12/2019	Var.	% var.
a) guarantees received	-704	-728	24	-3.23%
b) credit derivatives	0	0	0	0.00%
c) management and intermediation services:	-439	-350	-90	25.61%
1. trading of financial instruments	-8	-37	29	-78.55%
2. trading of foreign currency	-308	-225	-82	36.58%
3. asset management	-124	-88	-36	41.05%
3.1 own portfolio	0	0	0	0.00%
3.2 delegated by third parties	-124	-88	-36	41.05%
4. custody and management of securities	0	0	0	0.00%
5. placement of financial instruments	0	0	0	0.00%
6. off-site offer of financial instruments, products and services	0	0	0	0.00%
d) payment and collection services	-1,594	-1,627	33	-2.04%
e) other services	0	0	0	0.00%
Total	**-2,738**	**-2,705**	**-33**	**1.22%**

Section 3 - Dividends and similar income - Line item 70

3.1 Dividends and similar income: breakdown

Line items/Income	Total 31/12/2020		Total 31/12/2019	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	835	0	1,079	0
B. Other financial assets obligatorily measured at fair value	0	0	0	0
C. Financial assets measured at fair value with impact on total profits	359	0	340	0
D. Equity investments	0	0	0	0
Total	**1,194**	**0**	**1,419**	**0**

Section 4 - Net trading result - Line item 80

4.1 Net trading result: breakdown

Transactions/Income components	Capital gains (A)	Trading profit (B)	Losses (C)	Trading losses (D)	Net income [(A+B) - (C+D)]
1. Financial assets from trading	**62**	**2,281**	**301**	**0**	**2,042**
1.1 Debt securities	0	1,762	0	0	1,762
1.2 Capital securities	0	0	0	0	0
1.3 Shares in mutual funds	0	0	0	0	0
1.4 Loans	62	0	99	0	-37

Transactions/Income components	Capital gains (A)	Trading profit (B)	Losses (C)	Trading losses (D)	Net income [(A+B) - (C+D)]
1.5 Other	0	519	202	0	317
2. Financial liabilities from trading	**0**	**0**	**0**	**0**	**0**
2.1 Debt securities	0	0	0	0	0
2.2 Liabilities	0	0	0	0	0
2.3 Other	0	0	0	0	0
3. Financial assets and liabilities: exchange rate differences	**X**	**X**	**X**	**X**	**0**
4. Derivative instruments	**0**	**0**	**5**	**0**	**-5**
4.1 Financial derivatives	0	0	5	0	-5
- on debt securities and interest rates	0	0	5	0	-5
- on capital securities and equity indexes	0	0	0	0	0
- on currency and gold	0	0	0	0	0
- Other	0	0	0	0	0
4.2 Credit derivatives	0	0	0	0	0
of which: natural hedges connected to the fair value option	X	X	X	X	0
Total	**62**	**2,281**	**306**	**0**	**2,037**

Note:
The table shows the economic result from the portfolio of financial assets held for trading.

Section 5 - Net hedging result - Line item 90

5.1 Net hedging result: breakdown

Income components/Values	Total 31/12/2020	Total 31/12/2019
A. Income related to:		
A.1 Hedges of fair value	0	91
A.2 Hedged financial assets (fair value)	0	0
A.3 Hedged financial liabilities (fair value)	0	0
A.4 Hedges of cash flows	0	0
A.5 Assets and liabilities in foreign currencies	0	0
Total income from pledged assets (A)	**0**	**91**
B. Expenses related to:		
B.1 Hedges of fair value	-59	0
B.2 Hedged financial assets (fair value)	0	0
B.3 Hedged financial liabilities (fair value)	0	0
B.4 Hedges of cash flows	0	0
B.5 Assets and liabilities in foreign currency	0	0
Total expenses of pledged assets (B)	**-59**	**0**
C. Net hedging result (A-B)	**-59**	**91**
of which: income from hedges on net positions	0	0

Note:
The table shows the net income from hedges. Therefore, the table details the income components recognised in the income statement, that derive from the measurement of the difference between liabilities that are hedged and the relative hedging contract.

Section 6 - Gains (Losses) from disposals/repurchases - Line item 100

6.1 Gains (Losses) from disposals/repurchases

Line items/Income components	Total 31/12/2020			Total 31/12/2019		
	Gains	Losses	Net income	Gains	Losses	Net income
A. Financial assets						
1. Financial assets measured at amortized cost	8,618	50	8,567	1,093	3,495	-2,402
1.1 Receivables from banks	178	0	178	1,093	0	1,093
1.2 Receivables from customers	8,439	50	8,389	0	3,495	-3,495

Line items/Income components	Total 31/12/2020			Total 31/12/2019		
	Gains	Losses	Net income	Gains	Losses	Net income
2. Financial assets measured at fair value with impact on total profits	330	0	330	205	0	205
2.1 Debt securities	330	0	330	205	0	205
2.2 Loans	0	0	0	0	0	0
Total assets	**8,947**	**50**	**8,897**	**1,298**	**3,495**	**-2,197**
B. Financial liabilities valued at amortized cost						
1. Payables to banks	0	0	0	0	0	0
2. Payables due to customers	0	0	0	0	0	0
3. Outstanding securities	78	0	78	0	98	-98
Total liabilities	**78**	**0**	**78**	**0**	**98**	**-98**

Note:
The table shows the economic result deriving from the divestment of financial assets other than those held for trading.
Gains, amounting to 8,947 thousand euro derive from disposals of financial assets measured at amortized cost carried out during 2020 for 8,618 thousand euro and the disposal of financial assets measured at fair value with impact on overall income for 330 thousand euro.

Section 8 - Net adjustments/write-backs due to impairment - Line item 130

8.1 Net value adjustments due to impairment related to financial assets measured at amortized cost: breakdown

Transactions/Income components	Value adjustments (1)			Write-backs of value (2)		Total 31/12/2020	Total 31/12/2019
	First and second stage	Third stage		First and second stage	Third stage		
		Write-off	Other				
A. Receivables from banks							
- Loans	-117	0	0	54	0	-62	28
- Debt securities	-159	0	0	171	0	12	0
of which: impaired receivables purchased or originated	0	0	0	0	0	0	0
B. Receivables from customers							
- Loans	-17,281	0	-26,585	1,308	13,370	-29,189	-10,608
- Debt securities	-40	0	0	315	0	275	-300
of which: impaired receivables purchased or originated	0	0	0	0	0	0	0
Total	**-17,598**	**0**	**-26,585**	**1,849**	**13,370**	**-28,965**	**-10,881**

Note:
The table summarizes value adjustments and write-backs of value recognised due to the impairment of receivables from customers.

Additional detail of adjustments/write-backs on receivables - Line item 130 of the income statement

Description of the portfolio	Amount 2020	Amount 2019
RECEIVABLES FROM BANKS:	**109**	**-187**
HTC securities - stage 1	0	0
HTC securities - stage 2	171	-215
Adjustments other receivables - stage 1	-71	-59
Write-backs other receivables - stage 1	54	87
Other receivables - stage 2	-45	0
RECEIVABLES FROM CUSTOMERS:	**-29,399**	**-10,693**
Non-performing loans - Value adjustments	-52,304	-47,962
Non-performing loans - Write-backs of value	26,781	22,989
Probable defaults - Write-backs of value	14,119	20,475
Probable defaults - Value adjustments	-2,370	-2,627
Restructured – Net value adjustments /write-backs	0	0
Overdue - Write-backs of value	2,225	974
Overdue - Value adjustments	-1,665	-1,568
Value adjustments - Bonis - Stage 2	-11,018	-3,689

Description of the portfolio	Amount 2020	Amount 2019
Write-backs of value - Bonis - Stage 2	569	321
Value adjustments - Bonis - Stage 1	-5,647	-1,424
Write-backs of value - Bonis - Stage 1	569	2,179
Losses without use of fund - Stage 1/2	-616	-260
Losses on other transactions - Stage 1/2	0	-17
HTC securities - stage 1	-40	-85
HTC securities - stage 2	0	0
Total – Net value adjustments/write-backs	**-29,290**	**-10,881**

8.1a Net value adjustments due to impairment related to loans measured at amortized cost subject to Covid-19 aid measures: breakdown

Transactions/Income components	Net value adjustments			Total 31/12/2020	Total 31/12/2019
	First and second stage	Third stage			
		Write-off	Other		
1. Loans granted in conformity to GL	-8,705	0	-702	-9,407	0
2. Loans granted under other measures	0	0	0	0	0
3. Other loans	-5,491	0	-64	-5,555	0
Total at 31/12/2020	**-14,196**	**0**	**-766**	**-14,962**	**0**
Total at 31/12/2019	**0**	**0**	**0**	**0**	**0**

Note:
The table summarizes the net value adjustments booked for potential impairment of loans granted under Covid-19 aid measures.

8.2 Net value adjustments due to impairment related to financial assets measured at fair value with impact on total profits: breakdown

Transactions/Income components	Value adjustments (1)			Write-backs of value (2)		Total 31/12/2020	Total 31/12/2019
	First and second stage	Third stage		First and second stage	Third stage		
		Write-off	Other				
A. Debt securities	**-79**	**0**	**0**	**188**	**0**	**108**	**536**
B. Loans	**0**	**0**	**0**	**0**	**0**	**0**	**0**
- To customers	0	0	0	0	0	**0**	**0**
- To banks	0	0	0	0	0	**0**	**0**
of which: impaired receivables purchased or originated	0	0	0	0	0	**0**	**0**
Total	**-79**	**0**	**0**	**188**	**0**	**108**	**536**

Note:
The table summarizes the value adjustments and write-backs recognised due to the impairment of financial assets measured at fair value with impact on total profits

Section 9 - Profit (Losses) due to contract modifications without derecognition - Line item 140

9.1 Profit (Losses) due to contract modifications: breakdown

Line items/Income components	31/12/2020			31/12/2019		
	Profit	Loss	Net income	Profit	Loss	Net income
A. Financial assets						
1.1 Receivables from customers	47	0	47	0	-226	-226
Total	**47**	**0**	**47**	**0**	**-226**	**-226**

Note:
The table shows the net income deriving from contract modifications on financial instruments that do not require derecognition from the balance sheet of the assets, but only a different accounting method that entails recognition in the income statement of the difference between the booking value and the current value of the modified cash flow, discounted at the original interest rate.

Section 10 - Administrative costs - Line item 160

10.1 Personnel costs: breakdown

Type of expense/Values	Total 31/12/2020	Total 31/12/2019
1) Employees	-26,867	-26,804
a) salaries and wages	*-18,621*	*-18,354*
b) social security expenses	*-4,871*	*-4,925*
c) severance pay	*0*	*0*
d) pension costs	*0*	*0*
e) allocation to employee severance pay	*-1,190*	*-1,233*
f) allocation to pension fund and similar commitments:	*0*	*0*
- defined contribution plans	*0*	*0*
- defined benefit plans	*0*	*0*
g) payments to external complementary pension funds	*-748*	*-740*
- defined contribution plans	*-748*	*-740*
- defined benefit plans	*0*	*0*
h) costs deriving from payment agreements based on own equity instruments	*0*	*0*
i) other employee benefits	*-1,437*	*-1,552*
2) Other personnel	-117	-75
3) Directors and Statutory Auditors	-541	-430
4) Retired personnel	0	0
5) Recovery of expenses for personnel temporarily transferred to other companies	171	342
6) Recovery of expenses for third party personnel temporarily transferred to the company	-115	-167
Total	**-27,469**	**-27,133**

Note:
The table shows an increase for the aggregate of 923 thousand euro (3.52%).

10.2 Average number of employees by category

Description	Values 31/12/2020	Values 31/12/2019
Employees	372	375
a) Managers	*3*	*3*
b) Middle management	*86*	*84*
c) Remaining employees	*283*	*288*
Other personnel	10	12
Total	**382**	**387**

Precise number of employees by category

Description	Values 31/12/2020	Values 31/12/2019
Employees	382	380
a) Managers	*3*	*3*
b) Middle management	*78*	*84*
c) Remaining employees	*301*	*293*
Other personnel	10	12
Total	**392**	**392**

10.4 Personnel costs: other employee benefits

Type of expense/Values	Total 31/12/2020	Total 31/12/2019
1) Meal vouchers for employees	-523	-606
2) Loyalty bonus for employees	0	0
3) Other employee costs	-914	-946
Total	**-1,437**	**-1,552**

10.5 Other administrative costs: breakdown

Line items/Values	Total 31/12/2020	Total 31/12/2019	Var.	% var.
1. Insurance and security	-680	-871	191	-21.97%
2. Advertising and entertainment	-1,149	-1,564	415	-26.52%
3. Rent for real property	-27	-37	10	-27.61%
4. Maintenance, repairs, transformation of real and personal property	-5,733	-5,477	-256	4.68%
5. Electricity, heating and cleaning services	-939	-1,059	120	-11.32%
6. Telex, telephone and postage	-910	-1,171	261	-22.26%
7. Costs for data processing	-2,979	-3,431	453	-13.19%
8. Stamped paper and stationary	-307	-319	11	-3.53%
9. Fees to outside professionals	-2,784	-2,842	58	-2.03%
10. Costs for credit recovery	0	0	0	0.00%
11. Technical assistance and maintenance of software products	-3,162	-2,847	-315	11.08%
12. Information and registry searches	-1,527	-1,334	-193	14.48%
13. Charitable contributions allocated to the income statement	-7	-5	-2	40.00%
14. Expenses for treasury assets	-1	-5	4	-80.00%
15. Travel and transportation expenses	-259	-477	218	-45.74%
16. Indirect taxes	-4,771	-4,248	-524	12.33%
17. Other costs	-8,330	-8,063	-267	3.31%
Total	**-33,565**	**-33,748**	**183**	**-0.54%**

The line item "Other costs" includes:

Line items/Values	Total 31/12/2020	Total 31/12/2019
Contribution in favour of the Resolution fund – Ordinary	1,542	1,065
Contribution in favour of the resolution fund – Extraordinary	487	390
Contribution to the DGS fund	2,511	1,681
Expenses for Internal Audit service (Cambiano Group)	605	1,037
Management and coordination expenses (Cambiano Group)	1,174	2,013
Total	**6,319**	**6,187**

Notes:
The increase for line item "Other costs" is prevalently due to higher contributions, both ordinary and extraordinary, required by the Resolution Fund for banking crises and the Interbank Fund for deposit protection.
The reduction in Management and coordination expenses and internal audit expenses, referring to costs invoiced by the parent company (Ente Cambiano s.c.p.a.) for services rendered to Banca Cambiano s.p.a., derives from the variation of the corporate structure of Gruppo Bancario, having taken on the role of parent company effective 08/07/2020 as specified in the Report on Management, and with the reinstatement, effective the month of August, of the Internal Audit function within the Bank itself.

Section 11 - Net allocations to risk and expense funds - Line item 170

11.1 Net allocations for credit risk related to commitments to disburse funds and financial guarantees issued: breakdown

Transactions/Income components	Value adjustments (1)			Write-backs of value (2)		Total 31/12/2020	Total 31/12/2019
	First and second stage	Third stage		First and second stage	Third stage		
		Write-off	Other				
A. Commitments to disburse funds	0	0	0	0	0	**0**	**0**
B. Financial guarantees issued	-345	0	-212	58	150	**-349**	**151**
Total	**-345**	**0**	**-212**	**58**	**150**	**-349**	**151**

11.2 Net allocations related to other commitments and other guarantees issued: breakdown

Transactions/Income components	Value adjustments (1)			Write-backs of value (2)		Total 31/12/2020	Total 31/12/2019
	First and second stage	Third stage		First and second stage	Third stage		
		Write-off	Other				
A. Lending	0	0	0	0	0	**0**	**0**
B. Guarantees issued	0	0	0	0	0	**0**	**0**
Total	**0**	**0**	**0**	**0**	**0**	**0**	**0**

11.3 Net allocations to risk and expense funds: breakdown

Line items/Values	Total 31/12/2020	Total 31/12/2019
1. Allocations to pending litigation	-139	-19
2. Allocations to interest expenses on IRES for taxation year 2009	0	0
3. Other allocations	0	0
4. Write-backs of provisions for pending disputes	24	38
Total	**-116**	**19**

Section 12 - Net adjustments/write-backs to property, plants and equipment - Line item 180

12.1 Net value adjustments to property, plants and equipment: breakdown

Asset/income component	Depreciation (a)	Value adjustments due to impairment (b)	Write-backs of value (c)	Net income (a+b-c)
A. Property, plants and equipment				
1. With a functional use	-5,537	0	0	**-5,537**
- Owned	-3,198	0	0	**-3,198**
- Purchased through financial lease	-2,339	0	0	**-2,339**
2. Held as investments	0	0	0	**0**
- Owned	0	0	0	**0**
- Purchased through financial lease	0	0	0	**0**
3. Inventories	X	0	0	**0**
Total	**-5,537**	**0**	**0**	**-5,537**

Section 13 - Net adjustments/write-backs to intangible assets - Line item 190

13.1 Net value adjustments to intangible assets: breakdown

Asset/income component	Depreciation (a)	Value adjustments due to impairment (b)	Write-backs of value (c)	Net income (a+b-c)
A. Intangible assets				
A.1 Owned	-609	0	0	**-609**
- Generated internally by the company	0	0	0	**0**
- Other	-609	0	0	**-609**
A.2 Right o fuse purchased through leasing	0	0	0	**0**
Total	**-609**	**0**	**0**	**-609**

Section 14 - Other management income and expenses - Line item 200

14.1 Other management expenses: breakdown

Line items/Values	Total 31/12/2020	Total 31/12/2019
1. Contingent liabilities and non-existent assets	-642	-139
2. Use of guarantee funds	0	0
3. Depreciation of third party assets	-202	-227
Total	**-844**	**-366**

14.2 Other management income: breakdown

Line items/Values	Total 31/12/2020	Total 31/12/2019
1. Recovery of expenses	4,045	4,753
4. Contingent assets and non-existent liabilities	101	58
5. Other income	1,012	253
Total	**5,157**	**5,064**

Section 15 – Profit/Loss from equity investments - Line item 220

15.1 Profit (loss) from equity investments: breakdown

Income component/Values	Total 31/12/2020	Total 31/12/2019
A. Income	**300**	**249**
1. Revaluations	300	249
2. Gains from disposals	0	0
3. Write-backs of value	0	0
4. Other income	0	0
B. Expenses	**0**	**0**
1. Write-downs	0	0
2. Value adjustments from impairment	0	0
3. Losses from disposals	0	0
4. Other expenses	0	0
Net income	**300**	**249**

Note:
Line item A.1 "Revaluations" includes the following transactions:
- Revaluation of Cabel Leasing s.p.a. in the amount of 249 thousand euro for fiscal year profit achieved by the subsidiary;
- Revaluation of Cabel Industry S.p.A. in the amount of 51 thousand euro for fiscal year profit achieved by the subsidiary.

Section 17 - Adjustments to value of goodwill - Line item 240

17.1 Adjustments to value of goodwill: breakdown

Income component/Values	Total 31/12/2020	Total 31/12/2019
Pistoia branch	0	0
San Giovanni Valdarno branch	0	0
Bologna branch	-1,772	-229
Turin branch	0	-1,455
Rome branch	-1,368	0
Total	**-3,140**	**-1,684**

Note:
Le value adjustments in the table above show the results of assessments regarding the recoverability of goodwill booked to the balance sheet.
For a detailed description of the impairment tests on goodwill, please consult the contents of Part A "Measurement criteria" in these Explanatory Notes.

Section 18 - Gains (losses) from the disposal of investments - Line item 250

18.1 Gains (losses) from the disposal of investments: breakdown

Income component/ Values	Total 31/12/2020	Total 31/12/2019
A. Property, plants and equipment	**15**	**0**
- Gains from disposals	15	0
- Losses from disposals	0	0
B. Other assets	**-8**	**2**
- Gains from disposals	0	3
- Losses from disposals	-8	-1
Net income	**7**	**2**

Section 19 - Fiscal year income tax on current operations - Line item 270

19.1 Fiscal year income tax on current operations: breakdown

Income components/Values	Total 31/12/2020	Total 31/12/2019
1. Current taxes (-)	161	-6,912
2. Variation of current taxes for previous fiscal years (+/-)	0	0
3. Reduction of current taxes for this fiscal year (+)	0	0
3 bis. Reduction of current taxes for fiscal year for tax credits as per Law n. 214/2011 (+)	0	0

4. Variation of pre-paid taxes (+/-)	97	3,636
5. Variation of deferred taxes (+/-)	1,927	123
6. Fiscal year income tax (-) (-1+/-2+3+3 bis+/-4+/-5)	**2,186**	**-3,153**

Note:
Current taxes are measured in accordance with current tax legislation.

Summary of fiscal year income taxes, by type of tax

Income components/Values	Total 31/12/2020	Total 31/12/2019
- Ires (corporate income tax)	1,977	-2,366
- Irap (tax on productive activities)	208	-787
- Other taxes	0	0
Total	**2,186**	**-3,153**

19.2 Reconciliation between theoretical tax burden and effective tax burden on the balance sheet

Line items/Values	Ires (corporate income tax)	Tax rate	Irap (tax on productive activities)	Tax rate
(A) Gain (Loss) from current operations before taxes	5,914		5,914	
(B) Income taxes – Theoretical burden	1,626	27.50%	329	5.57%
Reductions of tax base	17,503	27.50%	44,505	5.57%
Additions to tax base	4,851	27.50%	39,986	5.57%
Tax base	-6,738		1,395	
Income taxes – effective tax burden	0	27.50%	-78	5.57%
Pre-paid/deferred taxes	1,977	27.50%	286	5.57%
Total taxes	**1,977**		**208**	
Overall tax	**2,186**			
Effective tax rate	**36.95%**			

PART D – Overall profitability

ANALYTICAL SCHEDULE OF OVERALL PROFITABILITY

	Line items	31/12/ 2020	31/12/ 2019
10	**Profit (loss) for the fiscal year**	**8,100**	**13,200**
	Other income components without reversal to income statement		
20	Capital securities measured at fair value with impact on total profits:	-1,044	21
	a) Variations of fair value	*-1,044*	*21*
	b) transfer to other components of shareholders' equity	*0*	*0*
30	Financial liabilities measured at fair value with recognition of income effects through profit and loss (Variations to own creditworthiness)	0	0
	a) Variations of fair value	*0*	*0*
	b) transfer to other components of shareholders' equity	*0*	*0*
40	Hedges on capital securities measured at fair value with impact on total profits	0	0
	a) Variations of fair value (hedged instrument)	*0*	*0*
	b) Variations of fair value (hedging instrument)	*0*	*0*
50	Property, plants and equipment	0	0
60	Intangible assets	0	0
70	Defined benefit assets	-145	-171
80	Non-current assets and groups of assets in the course of divestment	0	0
90	Share of valuation reserves of equity investments measured on the basis of shareholders' equity	0	0
100	Income taxes relative to other income components without reversal to income statement	0	0
	Other income components with reversal to the income statement		
110	Hedging of foreign investments:	0	0
	a) Variations of fair value	*0*	*0*
	b) reversal to the income statement	*0*	*0*
	c) other variations	*0*	*0*
120	Exchange rate differences:	0	0
	a) Variations of value	*0*	*0*
	b) reversal to the income statement	*0*	*0*
	c) other variations	*0*	*0*
130	Hedging of cash flows:	0	0
	a) Variations of fair value	*0*	*0*
	b) reversal to the income statement	*0*	*0*
	c) other variations	*0*	*0*
	of which: income of net positions	*0*	*0*
140	Hedging instruments (unmeasured instruments)	0	0
	a) Variations of fair value	*0*	*0*
	b) reversal to the income statement:	*0*	*0*
	c) other variations	*0*	*0*
150	Financial assets (other than capital securities) measured fair value with impact on total profits:	-74	3,564
	a) Variations of fair value	*-74*	*3,608*
	b) reversal to the income statement:	*0*	*-45*
	- adjustments due to impairment	*0*	*0*
	- gains/losses from use	*0*	*-45*
	c) other variations	*0*	*0*
160	Non-current assets and groups of assets in the course of divestment:	0	0
	a) Variations of fair value	*0*	*0*

	Line items	31/12/2020	31/12/2019
	b) reversal to the income statement	*0*	*0*
	c) other variations	*0*	*0*
170	Share of valuation reserves of equity investments measured on the basis of shareholders' equity	0	0
	a) Variations of fair value	*0*	*0*
	b) reversal to the income statement:	*0*	*0*
	- adjustments due to impairment	*0*	*0*
	- gains/losses from use	*0*	*0*
	c) other variations	*0*	*0*
180	Income taxes relative to other income components con reversal to the income statement	0	0
190	**Total other income components**	**-1,263**	**3,414**
200	**Overall profitability (Line item 10 + 190)**	**6,837**	**16,614**

International accounting standards allow allocating financial instruments to different portfolios to which accounting standards are applied that result in the allocation of costs or income directly to special reserves of shareholders' equity without going through the income statement. The chart shows the overall result, considering income items matured and realized in the fiscal year that were recognised directly in shareholders' equity, sterilizing the components that already matured and thus which had been recognised in shareholders' equity in previous fiscal years, but which are the object of a second and definitive allocation to the income statement (reversal) at the time effectively realized.

PART E – Information on risks and the relative hedging policies

Introduction

The Bank carries out its activities according to sound and prudent management principles, with a moderate risk propensity, in respect of stability requirements connected to the banking business.
Overall risk propensity is measured synthetically by identifying, within the scope of the Bank's asset resources ("own funds"), a capital component that is not eligible for risk assumption (unexpected losses), held for medium-long term to cover capital against impact in the event of unexpected stress events.
The Bank's internal control system ensures implementation of corporate strategies and policies and is composed of all the regulations, procedures and organisational structures aimed at compliance with sound and prudent management principles.
Corporate Bodies have the primary responsibility for ensuring, in line with their respective specific competencies, the completeness, adequacy, efficiency and reliability of the internal control system.
The Bank has implemented a traditional type of governance model that entails a Board of Directors, a Board of Statutory Auditors and General Management.
The Board of Directors is responsible for Bank strategic supervision and management, along with General Management, and the Board of Statutory Auditors is responsible for monitoring activities.
The Board of Directors, within the scope of the guidelines set out by the Parent Company, defines the business model by approving an annual strategic business plan and budget, aware of the risks to which this model exposes the Bank and comprehending the processes by means of which such risks are identified and measured. The Board of Directors, again, following the guidelines decided at Group level, defines and approves strategic policies and periodically reviews them, decides on risk propensity and the relative tolerance levels as well as the risk management policies, ensuring that the Bank's structure is consistent with the business carried out and with the business model adopted.
Risk government policies are set forth in specific regulations/policies that are subject to approval by the Board of Directors.
Uptake of new products and services, launching of new activities, introduction into new markets and, in general, all more significant activities are always subject to approval by the Board of Directors.
Periodically, the Board of Directors verifies that the risks assumed by the Bank in terms of capital adequacy, liquidity and risk-return ratio for management activities are consistent with the risk propensity defined in strategic planning and with regulatory levels.
Furthermore, the Board of Directors verifies compliance with operating limits defined for the assumption of the various types of risk. The Board of Directors ensures consistency between the strategic plan, the business model, the Risk Appetite Framework, the ICAAP process, the budget and the corporate organisation and the internal control system, taking in consideration the evolution of the internal and external conditions within which the Bank operates.
The Board of Directors is aided by the Risk Committee, a committee within the Board itself that provides the Board with advisory support and proposal regarding risks and the internal control system.
General Management fully comprehends corporate risks and is responsible for implementing the strategic policies and risk management policies defined by the Board of Directors. In particular, General Management proposes the operating limits with respect to the assumption of the various types of risk, taking into account the stress tests carried out by the various designated function, in accordance with the Bank's internal policies.
For the purpose of facilitating the development and awareness at all company levels, of a risk control culture, General Management plans training programs for Bank personnel, based on the proposals made.
The Board of Statutory Auditors carries out periodical inspections to ascertain the completeness, adequacy, efficiency and reliability of the internal control system.
In carrying out its tasks, the Board of Statutory Auditors is provided with appropriate information from the other Corporate Bodies and control functions. The regular presence of the Board of Statutory Auditors at BoD meetings, which are held twice weekly, represents a guarantee with respect to timely information of the Control Body regarding management issues.
Sound and prudent bank management is censure by an appropriate corporate organisation that provides for a complete and functional internal control system.
In particular, the Bank's internal control system is composed of three different levels:

- First level controls (line): aimed at ensuring that operations are carried out correctly. These controls are performed by operating structures or incorporated into the procedures and information technology systems, or carried out during back office activities.
- Second level controls on risks and conformity, also aimed at ensuring, among other things:
  - correct implementation of the risk management process;
  - respect of operating limits assigned to the various functions;
  - conformity of corporate operations to standards, including self-governance regulations.

Second level controls as assigned to the Risk Management Service, the Compliance Service and the Anti-Money Laundering Service. Given the size and in compliance with the "principle of proportionality", the Compliance function is carried out in co-sourcing with META Srl, a company that meets all the prerequisites in terms of professional qualification and independence. The functions designated to controls are separate from production functions; they contribute to defining the risk management policies and the risk management process.

- Third level controls (internal auditing): aimed at identifying violations of procedures and regulations, and at periodically evaluating the completeness, adequacy, efficiency and reliability of the internal control system and the information technology system.

This activity is carried out by the Internal Audit Service based on the yearly auditing plan approved by the Board of Directors or through spot checks on the operations of the functions involved, requested during the year. Subsequent to the restructuring of the Bank Group, the Internal Audit office has been brought back within the structure of the Bank parent company. Given the size and in accordance with the "proportionality principle", the internal audit function is carried out in co-sourcing with META S.r.l., a company that meets all the prerequisites in terms of professional qualification and independence.
Corporate control functions in charge of second and third level controls have the authority, resources and competencies required to carry out their tasks.
In conformity with Vigilance provisions, the company organisational structure requires that company control functions report back to the Board of Directors in terms of both hierarchy and functions.
Control functions have access to all the activities carried out by the Bank, both in the central offices and in peripheral offices, as well as to any information relevant to carry out controls.
In accordance with Law 231/01, there is a Vigilance Committee, which is a collective body in charge of assessing the efficiency of organisational measures adopted by the Bank to avoid involvement in sanctionable actions pursuant to Law 231 of 2001.
As set forth in the Organisational Model, the committee periodically reports to the Board of Directors.
In compliance with the III Tier provisions, the Gruppo Bancario Cambiano has written up the Information Document regarding the 2020 Consolidated financial statements, published on the web site www.bancacambiano.it.

Section 1 – Credit risk

Qualitative information
1. General information
The Bank's strategies, the Risk Appetite Framework, and the faculties and rules for loan disbursement and credit management are aimed at:
– meeting the objective of increasing sustainable credit activities, consistently with risk propensity and creation of value;
– portfolio diversification, limiting the concentration of exposures on single counterparties/groups, on single sectors of economic activity;
– an efficient selection of economic groups and individuals borrowers, through an accurate analysis of creditworthiness aimed and limiting the risk of insolvency;
– favouring credit interventions aimed at supporting the real economy and the production system;
– constantly monitoring loan relations, both through IT procedures and by means of the systemic monitoring positions, in order to be able to immediately grasp any symptoms of imbalance and promote corrective actions aimed at preventing possible impairment.
The quality of the credit portfolio is constantly monitored by implementing precise operational methods in each stage of credit management.

2. Credit risk management policies
2.1 Organisational aspects
The factors that generate credit risk are tied to the possibility that an unexpected variation in the creditworthiness of a counterparty, to which the Bank has an exposure, may generate a corresponding unexpected variation of the current value of the respective credit exposure.
Therefore, credit risk is not limited only to the counterparty's insolvency, but also includes the mere deterioration of its creditworthiness.
Taking on credit risk and risk management are governed by formalizing the underlying process, detailing the roles of the corporate bodies involved, defining the first controls and rendering explicit the roles of all control functions. During the 2020 fiscal year, the foundations of the entire credit process were revised, with the following specific modifications: (i) creation of the Credit Management Office, that unifies all of the various credit functions (including the office for Non-

Performing Loans), previously subdivided – also in terms of organisational location – on multiple hierarchical levels; (ii) updating of the regulations regarding "Credit Risk" and "Proxies and Powers – regarding credit lines and loan disbursements"; (iii) updating of the criteria and the process for granting forbearance measures, by adopting the new Policy regarding forbearance, and iv) updating of the Policy for the classification and evaluation of the credit portfolio.
The Non-Performing Loans office, reporting to Credit management, is composed of the Legal and Litigation Services Offices and the Problem Debts Management offices and Credits under Special Administration office. The Problem Debts Management Office manages, at a corporate level and according to methods defined by internal regulations, every single problem debt and loans that present anomalous situations, regardless of their classification as performing or non performing, with the exception of non-performing loans that are managed by the Legal and Litigation Services Office. Problem Debts Management also Supports the Network in carrying out peripheral monitoring activities on single anomalies and problem loans, as well as in defining and implementing corrective actions aimed at ensuring sound administration of the credit process. This activity is aimed at favouring an anticipatory management of credit risk and implementing management strategies aimed at improving the Bank's credit quality. The corporate organisation system assigns management of relationships classified as Probable Default and Non-Performing respectively to the Problem Debt Monitoring Office and the Legal and Litigation Services Office. Impaired loans are managed based on Service regulations and in accordance with the specific impaired loan assessment policy (updated during the meeting of the Board of Directors held on 28/10/2020).
An office to manage credits in special administration has been created within the Problem Debt area, tasked with managing, based on methods set forth by internal regulations and corporate bodies, those exposures with peculiar characteristics that qualify them for management by this specific function. Exposures are assigned to this office regardless of the specific classification, but taking into account the significance that they have within bank exposures, in terms of risk profile and of the actions to be taken.
The Credit Control Office, reporting to Credit Management, oversees the credit risk monitoring process, in order to detect, even in advance, possible critical evolutions; this activity is carried out within the scope of second instance first level controls and with the aim of providing credit manager and the Problem Debt Management function with all the information required to take necessary measures, and the Risk Management function with all the information required to carry out second level control on credit risks.
During the 2020 fiscal, the Early Management Office was created, reporting to Credit Management, with the aim of controlling the process for concession of forbearance measures, in order to allow identifying forbearance measures that are "economically sustainable", as well as ensuring the pro-active management of the first signs of default and weakness of the borrowing counterparty. This function is also tasked with verifying the existence of requirements confirming "financial difficulty" and the economic sustainability of the exposures in moratorium subsequent to the Covid-19 pandemic.
Within the scope of the risk taking and management procedures adopted, the first safeguard filter takes place in the Branch office, through constant and ongoing dialogue with the customers, by means of both internal and external information sources and with the aid of information technology procedures.
During the credit preliminary assessment and review processes, the Bank analyzes the customer's financial needs and the documents required to carry out an adequate assessment of the creditworthiness. The decision to grant a loan is therefore based both on the analysis of all the information regarding the economic entity, and on the basis of direct knowledge of the customer and of the economic operating context. All preliminary activities regarding the operational process that lead up to disbursement and periodic review of the loan, are developed with the aim of granting a congruous loan to each individual applicant (and/or group), providing for the most appropriate types of loan and a adequate remuneration for the risk taken.
Within the scope of the "Credit Risk Regulations", the Board of Directors has defined the decision-making autonomy of each body delegated to granting loans. Observance of the powers authorized by the Board of Directors is guaranteed by automatic controls provided for in the IT procedure recently implemented with the new "Easy Loans" application used to manage the preliminary process for loan disbursement.

Effects deriving from the Covid-19 pandemic

As regards credit risk, the Bank was favourable to all the initiatives aimed at supporting the real economy set forth by the Government.
All forebearance is defined to respond to the disadvantage deriving from the temporary slowdown of the economic cycle and any possible effects on liquidity, as rapidly as possible.
The potential effects on the Bank's credit risk profile are mitigated by:
- the acquisition of government guarantees in compliance with the mechanisms set forth by the various governments;
- the *ex ante* and on-going evaluation of the customer's risk profile.

2.2 Management, measurement and control systems

Risk management, measurement and control systems are developed in an organisational framework that involves the entire credit process cycle, from the initial preliminary stage, to the periodical reviews up to revocation and recovery.
The Bank also carries out quantitative and qualitative analyses for periodic Credit Risk measurement and control. In particular, quantitative assessments make use of various instruments that provide economic, financial and capital information regarding the customer.
The Credit Area, reporting to Credit Management, ensures supervision and coordination of the operational stages of the performing loan process, carries out the credit application and, within the scope of its competencies, disbursement process and performs first level controls, again within the scope of its competencies. The Non-Performing Loans office, also reporting to Credit Management, monitors and coordinates all the operational stages of the non-performing loans process.
To support these activities, the Bank adopts specific procedures for the preliminary analysis/disbursement, credit line renewal and credit risk monitoring stages.
In these stages, the Bank uses qualitative and quantitative methods to measure creditworthiness, supported by information technology procedures subject to periodic verification and maintenance.
Line of credit application, deliberation and review processes are regulated by a decision-making process supported by the “Electronic Line of Credit Procedure”, which allows verifying (on behalf of all the departments involved in credit management) the status of each borrower or potential borrower. This procedure also allows reconstructing the credit deliberation process by tracking the various steps of the process and the types of analyses carried out.
Two review levels are provided for, in order to keep the procedures slim: one is a simplified review, with limited formalities, which is reserved to the renewal of small credit lines with a regular performance; the other is an ordinary review applied to all other situations.
The definition of classification, measurement and management criteria for impaired positions and of the methods to be implemented to monitor loan performance aims also at implementing a systematic control procedure on loan positions by the Risk Control Office in close collaboration with bank Branches.
This activity is supported by an electronic procedure that allows for periodic extrapolation of all relations that may show signs of anomalous performance, both internally and externally.
Hence, constant monitoring of the reports provided by the procedure, along with the measurement of other types of events allows for rapid intervention as soon as irregular positions arise, in order to take the necessary measures for problem loans.
All trust positions are also subject to periodic review of each individual counterparty or group of connected customers.
The Risk Manager is responsible for second level controls; this function carries out controls aimed at periodically ascertaining that credit granting, monitoring and classification of credit exposures, the process for recovery and calculation of provisions for impaired loans, are all carried out in compliance with internal and supervisory regulations, and that they are efficacious and reliable as regards the capacity for timely detection and notification of problem loans, and for ensuring the adequacy of value adjustments and the relative writing-off.
Credit risk, like other risks, is mapped in the RAF process, defined by specific objectives and tolerance thresholds. Hence, the Risk Management function monitors credit risk management processes, periodically checking and verifying compliance to risk objectives, operating limits and the risk indicators defined by the Board of Directors, according to the methods and schedules defined in the RAF Regulations and in the risk management processes. Furthermore, this function provides advance opinions regarding RAF compliance of significant credit transactions (so-called OMR), as defined in the specific regulations approved by the BoD, requesting, if necessary and based on the nature of the transactions, the opinion of other functions involved in the risk management process. The entire credit and counterparty risk management process (risk measurement, application, disbursement, performance monitoring, exposure monitoring, review of lines of credit, classification of risk positions, actions in the event of problem loans, classification criteria, assessment and management of impaired loans) is formalized in the internal regulations.
The Bank continues to use an “ordinal” classification management system for creditworthiness which, in a nut-shell, aims at attributing an univocal rating to borrowing customers, on the basis of a series of qualitative and quantitative considerations.
On this matter, please bear in mind that the evaluations resulting from the application constitute a limit to the use of powers associated to loan authorizations.
The Bank adopts standards methods to determine the minimum capital requirement for credit risk.
As regards the internal capital adequacy evaluation process (ICAAP), the Bank uses the so-called Granularity Adjustment simplified algorithm (ref. Annex B, Title III, Chapter 1 Circ. 285/2013) to quantify internal capital vis-à-vis concentration risk for exposure to single counterparties or groups of connected customers.
Within the scope of the ICAAP analysis performed on a quarterly basis, the Bank performs stress tests with reference to credit and concentration risks through sensitivity analyses that evaluate the effects of specific events on the same risks.
The Bank performs the stress test and, with specific reference to credit risk, recalculates the internal capital required against the new risk level of the loan portfolio redefined on the basis of any increase of the incidence of impaired

exposures on company lending. The Bank also determines the impact on overall capital (Own Funds) deriving from the reduction of expected income due to the increase in write-downs of receivables.
With reference to operations on securities markets, the Bank's Finance Area implements measurements and controls both during acquisition of the financial instruments and after, when the composition of the fund is periodically analyzed by asset class / IAS/IFRS portfolio, the specific or counterparty risk level is identified and calculated and compliance with the limits and powers assigned is verified. The results of these analyses are discussed periodically by the Finance Committee within the scope of which the Risk Management Office sets forth its valuations in accordance with the Risk Appetite Framework.

Effects deriving from the Covid-19 pandemic

In line with the forecasts outlined by European and Italian Supervisory Authorities, from the start of the crisis caused by the Covid-19 pandemic, the Bank has seen the need to closely monitor and evaluate counterparties who benefited from the aid measures made available through government decrees. In fact, the concession of moratoria on payments has created a difficulty in terms of intercepting some anomalies and triggers for potential difficulty or deterioration of the counterparty for the main monitoring systems (for example: Early Warning and Internal Rating System).
As it was impossible to revise the software quickly, appropriate management actions were implemented to intercept possible future customer difficulties, both in the Corporate and in the Retail sector, and, specifically, an analytical assessment process was started for exposures benefitting from moratoria, in order to assess the significant increase in credit risk and, in particular, the forbearance measures, in compliance with current regulations and European supervisory recommendations, and to continue actively supporting counterparties in temporary difficulty due to the consequences of Covid-19.
Finally, during 2020 other actions were taken to safeguard credit risk and simultaneously support SME and Corporate customers, pro-actively offering government-backed loans with the access procedures set out in the government decrees.

2.3 Methods for measurement of expected losses
Expected loss is the product of exposure, probability of default and Loss Given Default.
IFRS 9 provides for a single impairment model, to be applied to financial assets measured at amortized cost and those measured at fair value with contra-entry in OCI (Other Comprehensive Income 16, which is shareholders' equity) as well as to financial guarantees and other commitments to disburse loans, characterized by a prospective view, which requires immediate recognition of losses on receivables even if they are only expected.
The Bank's stage al location model, based on individual exposures or tranches of exposures in case of debt securities, applies both qualitative and quantitative criteria to measure significant increase of credit risk from the date of initial recognitions of the financial instrument to the evaluation date.
More specifically, a financial instrument may be moved from stage 1 to stage 2 if one of the following variables occurs:

- Variation of the probability of default used for internal management purposes. Therefore, this assessment is made adopting a "relative" criterion. This criterion, effective as of the month of October 2019, in conformity with the current internal Bank rating system, requires that exposures that have jumped 6 classes from the moment of origin of the probability of default used for internal management purposes, with final classification in level 11 probability of default, be passed to Stage 2;
- The presence of a position that is overdue/overdrawn– without varying the thresholds of significance provided for by regulations – and has been so for at least 30 days. In this case, in other terms, the credit risk of the exposure is presumed to be "significantly increased" and, therefore it is moved to stage 2 (if the previous exposure was classified in 1);
- The presence of forbearance measures, which – again, presumably – entail classification of the exposures among those for which credit risk is "significantly increased" with respect to initial recognition;
- Finally, specific indicators of the credit monitoring system are taken into consideration for the purpose of assessing the movement of exposures from one stage to another. Specifically, this refers to so-called "watch-list" positions, that is, positions subject to monitoring regimes due to individual evidence of criticality.

The Stage Allocation model is a symmetric model, in that it provides for exposures passing from Stage 1 to Stage 2 and vice versa. Specifically, if at the previous balance sheet date a financial instrument was classified in Stage 2, but at the current balance sheet date it no longer meets the requirements for recognition of a fund equal to expected losses for the duration of the instrument, the position is reclassified in Stage 1. Therefore, no specific permanence criteria are applied in Stage 2, other than those inherent to the quantitative and qualitative parameters that determine the staging (for example, as regards forborne exposures). Consequently, if the parameters in question change and the instrument may be reallocated to stage 1, further permanence in stage 2 is not considered necessary, as the sustainability of the improvement if the customer's creditworthiness is already evaluated during the processes required by the reference regulations of each staging parameter.

For the purpose of allocating exposures to the various stages on the date of first application of the principle, performing exposures were classified in stages 1 and 2, unlike non performing exposures that were allocated in stage 3.
As regards these latter exposures, please note that the Bank complies with the definition contained in Bank of Italy Circular n. 262/2005, meaning that they correspond to the total amount of impaired overdue/overdrawn exposures, Probable defaults and non-performing loans, such as defined by current Vigilance regulations.
The Bank's overall approach to the quantification of expected credit losses is to ensure alignment with regulatory risk parameters.
Once the exposures have been allocated in the various credit risk stages, expected loss, which is the estimated losses on receivables, weighted for the relative probability of occurrence, is calculated along a 12 month period for Stage 1 financial instruments or for the entire residual life of the financial instrument for those classified in Stage 2.
Therefore, as similar evaluation model is applied to all Stage 1 and Stage 2 exposures, the only distinguishing element being the time frame for estimation of expected loss. The evaluation model takes into consideration the following risk factors:

- PD (Probability of Default) – probability of insolvency, a parameter that represents the probability that a counterparty will pass from a "bonis" condition to an "insolvency" condition within the time frame of 1 year (Stage 1) or during the expected life of the financial instrument (Stage 2). The probability of insolvency is calculated based on parameters decided internally by Banca Cambiano and then subsequently including appropriate corrective factors that allow taking into consideration the effects of so-called forward looking information regarding the macro-economic reference scenarios;
- LGD (Loss Given Default) – rate of loss in case of insolvency, a parameter that expresses the incidence of the loss, net of recovery, as a percent value, with respect to the amount of the exposure that has become insolvent, measured based on specific internal Banca Cambiano models. This parameter also includes the expected direct costs of recovery;
- EAD (Exposure at Default) - EAD is treated differently based on the type of exposure and maturity: exposures with a "deterministic" repayment schedule with a known cash flow and maturity and "stochastic" exposures with an unknown cash flow and/or unknown maturity. For exposures with a deterministic repayment schedule EAD is defined by using the repayment schedule based on the evolution of contractual cash flows. For exposures with an unknown repayment plan (for example, not based on instalments, such as bank accounts) EAD is calculated based on special models that take into account both the so-called "on balance" value of the exposure and the "off balance" component considered potentially risky due to the possibility of the counterparty of increasing its borrowing position.

All reasonable and demonstrable information available at the balance sheet date, without incurring excessive cost or effort, are is taken into consideration for the purpose of calculating expected losses. The information used must include past events, current conditions and forecasts regarding future economic conditions.

Assessment of significant increase of credit risk (SICR)

As regards the assessment of significant increase of credit risk (SICR), the only variation that occurred during the 2020 fiscal year in the model used by the Bank is that, in accordance with EBA recommendations contained in the "Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis" dated 4 April 2020, moratoria granted to customer *ex lege* and in application of category agreements (ABI Agreements), were not considered as indicators of financial difficulty in the classification of individual exposures within the scope of forborne exposures (and consequently included in Stage 2).

Measurement of expected losses

As regards the estimation of expected losses at 31 December 2020, the Bank incorporated macro-economic scenarios that included the effects of the COVID-19 health emergency into its IFRS impairment model, as required by Vigilance authorities.
The estimation of forward looking elements to be included in the calculation of expected losses, in application of IFRS 9 and the macro-economic variables at the basis of the satellite model for the definition of base, best and worst case scenarios used to determine the IFRS 9 ECL, are provided by the IT outsourcer.
The satellite model used develops 3 scenarios that include forward looking elements in the calculation of expected losses, and as at 31/12/2020 the worst case scenario was used.
Moreover, the exposures for which moratoria were extended, along with government-backed loans disbursed (in the measure of 80%, 90% or 100%) as per emergency legislation, were subject to analysis by the Bank's Risk Management office, resulting in the approval on the part of the Board of Directors of a specific ECL add-on of € 8.8 million.

The estimate of the impact of the pandemic on the 2020 financial statements was calculated simulating a 12 month “slide” into Stage 3 of moratoria loans and government-backed loans both in Stage 2 in the 2020 financial statements, applying a Probability di Default (PD) at 12 months divided by sector. Specifically:

i) To sectors considered at greatest risk – as defined on the basis of the data contained in the Bank of Italy analysis entitled “Covid-19 Notes – The effects of the pandemic on liquidity requirements, financial statements and risk level of businesses” dated 13 November 2020 (hereinafter also referred to as "Covid 19 Notes"), and of the specificity of the Bank’s lending portfolio (agriculture, artistic activities, trade, construction, property, plants and equipment, food industry, textiles, and accommodations and restaurant service) – a PD at 12 months equal to 100% was applied, therefore hypothesizing that all the moratoria loans granted to the above sectors will migrate within the next 12 months from Stage 2 to Past Due;

ii) To all other sectors, a variation of PD at 12 months equal to that existing between the PD of the "pre-shock" scenario and that of the "post-shock” scenario, as per Bank of Italy’s Covid-19 Notes, subdivided by sector.

Therefore, in this way, a migration to Stage 3 in 2021 of 8.22% of the overall moratoria loan amount e of 6.47% of government-backed loans in Stage 2 was estimated. The volume of write-downs thus calculated (+ 6.5 million euro/€ on moratoria loans and +2.2 million euro/€ on government-backed loans comprehensive of effects of the exposures in question on forward looking components) was already included as an add-on in the write-downs on receivables as at 31/12/2020; the effect of including the forward looking components in the PD of other in bonis exposures, amounting to 967 million euro is further added to this.
No modifications were made during the 2020 fiscal year to loans granted within the scope of government backing (in the measure of 80%, 90% or 100%) for the purpose of considering the government backing an integral part of the contract conditions in the calculation of the LGD.

2.4 Techniques for mitigating credit risk
The main levers for mitigating credit risk are represented by the system of guarantees that accompany loan exposure, by a limited degree of concentration on specific borrowers, as well as an adequate level of diversification of loans by type and by industry.
In particular, with reference to concentration risk, please note that within the scope of its “credit policies”, the Bank has set forth a series of limits regarding credit exposure towards single counterparties or groups of connected customers and towards counterparties belonging to the same economic sector. These limits are constantly monitored by the Risk Management Services.
The methods used to manage guarantees and the relative operating processes are set forth in the Bank’s internal regulations.
The guaranty management process is incorporated in the IT system, which may be accessed to obtain all related information.
In order to mitigate credit risk, the Bank uses collateral security and personal guarantees. In particular, the main types of real guarantees used are mortgages on property and financial pledges.
The IT management application allows monitoring the entire mortgage guarantee acquisition, assessment, verification and realization efficaciously, identifying all inherent information. The procedure also allows periodically “updating” the current value of the guarantee itself and monitoring the consistency of the value of the guaranty with respect to the risk. The ratio between the loan and the value of the collateral property is monitored constantly in order to intervene appropriately in the event of drops in the real estate market.
The organisational processes and operating guidelines applied to monitoring collateral on financial instruments safeguard loans against fluctuations in real estate market trends.
Personal guarantees consist mainly of sureties given by individuals or companies. Guarantees issued by specialized bodies (for example: Confidi) and by Financial institutions (for example: government guarantee through Mediocredito Centrale pursuant to law 662/1996) are also used and, lastly, so are the government guarantees issued following the crisis engendered by the Covid-19 pandemic.
To date, the Bank does not use credit derivatives to cover or transfer the risk for credits in portfolio.
The above controls are performed by centralized structures that are separate from those that disburse and review the loan; the Internal Auditing Office ensures that assets are managed properly and prudently by means of periodic controls.
No significant changes were registered with respect to the information provided above during the course of the fiscal year.

3. Impaired financial assets

3.1 Management strategies and policies
On 29 June 2020, the Board of Directors approved the update to the Bank’s NPL Operational Plan (2020-2022), based on the Bank of Italy Guidelines for impaired receivables, which was sent to Bank of Italy on 30 June 2020. Moreover, on

30 December 2020, the Board of Directors updated the Business Plan for 2021-2022 and, on 26/03/2021, again updated the Group's NPL Operational Plan (2021-2023), in light of the potential effects of the Covid-19 pandemic.
In the Business Plan for 2021-2022 de-risking represents the First Pillar, by means of which the Bank intends to limit the burden of impaired receivables on overall receivables. The aim of the Plan is to reach a gross incidence of impaired receivables on overall receivables lower than 10% despite the effects of the Covid-19 pandemic.
During the 2018-2019 fiscal years, transactions were executed to dispose of a significant portion of the NPS portfolio, for a total of 156 million euro/€.
In December 2020, the Bank underwrote shares of the VIC3 Fund for an overall value of 6.5 million euro, by conferment in kind of a portfolio of non-performing receivables for an overall Gross Book Value of 9,148,020.95 million euro.
The Bank's asset quality is characterized by an incidence of gross impaired receivables at 31.12.2020 of 9%, lower than the 11.30% (-228 b.p.) measured in December 2019.
Impaired receivables include receivables classified as non-performing, probable defaults and overdue and/or overdrawn for more than ninety days, in accordance with Bank of Italy regulations and in accordance with IAS/IFRS and European Vigilance provisions. The definition of impaired receivables, as set forth by Bank of Italy in Circular 272/2008 (and subsequent updates) is also consistent with the definition of impaired financial assets contained in the IFRS9 accounting principle, with consequent classification of all impaired receivables within Stage 3.
During 2015, Bank of Italy issued the 7th Update of Circular n. 272/2008, which revised previous classifications for impaired credits and introduced the so-called forbearance concept, transposing the definitions introduced by the Implementing Technical Standards (abbreviated to ITS) issued by the European Banking Authority (EBA). The update aims to reduce the existing discretionary margins in accounting and prudential definitions applied in the various member countries, and facilitate data comparability at a EU level.
In particular, the regulations requires the identification, as regards both performing and non-performing loans, call for identification of loan disbursement relations respectively defining the categories of "Forborne performing exposures" (performing loans granted) and "Non-performing exposures with forbearance measures" (impaired loans granted).
The regulations define as "forbearance measures" changes to the original contract terms and conditions or total or partial loan refinancing, granted to a debtor who is or is about to enter into difficulty in terms of respecting financial obligations.
In terms of classification of impaired loans, the Bank has also transposed the changes made to definitions introduced by the 7th Update of Bank of Italy Circular n. 272/2008. Specifically, impaired financial assets are divided into the categories "non-performing", "probable default" and "overdue/overdrawn exposures", based on the following criteria:

- **Non-performing loans:** the overall on-balance sheet and off-balance sheet exposures vis-à-vis a customer in a state of insolvency (even if not judicially ascertained) or in essentially comparable situations, regardless of any loss forecasts formulated by the Bank.
- **Probable defaults watchlist ("Unlikely to pay):** classification in this category is, first of all, the result of the Bank's judgment regarding the unlikelihood that, without recourse to measures such as enforcement of guarantees, the debtor fully pays back the credit (the principal and/or the amount of interest payable). This evaluation must be made aside from the presence of any amounts (or instalments) overdue and not paid. Therefore, it is not necessary to wait for an explicit sign of anomaly (failure to pay), if there are elements that imply a situation of probable default on the part of the debtor (for example, a crisis in the debtor's industry sector).
- **Overdue and/or past due impaired accounts:** cash loans, other than those classified as non-performing or probable defaults, which, at the date of reference of the notification have been overdue or overdrawn for over 90 days.

Overdue and/or overdrawn exposures may be determined with reference to either an individual customer or a single transaction; the Bank adopts the "by debtor" approach, as described here below.
Overdue or overdrawn positions must be characterized by the continuity of the condition. In particular, as regards exposures with repayment in instalments, the unpaid instalment bearing the greatest delay is used for the purpose of the necessary calculations.
If more than one exposure that has been overdue or overdrawn for over 90 days refer to the same customer, the longest overdue position on which calculations are based. As regards the opening of "revocable" current-account credit facilities where the credit ceiling has been exceeded (also due to the capitalization of interest), the days of overdraft are calculated starting from the first day of missed payment of the interest that determines overdraft, or starting from the date of the first request to repay the principal, whichever of the two comes first.
Overall exposure vis-à-vis a debtor must be considered overdue and/or overdrawn if, at the date of reference of the notification, the larger of the two following values is equal to or greater than the 5% threshold:

a) average of the overdue and/or overdrawn amounts on the entire exposure, measured on a daily basis over the last previous quarter;

b) amount overdue and/or overdrawn on the entire exposure referred to the date of reference of the notification.

Within the scope of the three categories of impaired loans, in conformity with the regulations, "Non-performing exposures with forbearance measures" are identified.

Therefore, the classification “forborne non-performing” is not a category of impaired loans in itself, but is instead an additional attribution, applicable to positions in any one of the above-mentioned three categories.
Information regarding impaired loans has been integrated into the information technology system with the aid of specific instruments that support management of irregular exposures and track their conditions.
Based on specific irregularity indicators, monitored by means of both information technology procedures and internal evaluations, and in light of the provisions contained in specific internal regulations that govern exposure classification and variations of the relative exposure “status”, the Credit Control Office monitors the risk classification of exposure positions and formulates proposals to the corporate structures of reference for possible status changes or recalculation of expected loss.
With respect to *in bonis* loans, for management purposes, the Bank has defined the sub-class of credits called Bonis C (watch list), Bonis D (forborne performing under probation) and Bonis E (forborne performing under probation, ex cure period), in which exposures showing a not fully regular trend are classified.
The Problem Debts Management Office is responsible for managing positions classified as probable defaults, promoting initiatives aimed at safeguarding the Bank’s credit claims.
Non-performing loans are managed by the Legal and Litigation Services office, which evaluate the actions to be taken to maximize credit recovery, also taking action vis-à-vis any guarantors and realizing any guarantees.
The possibility of payment of impaired loans is calculated based on criteria defined by the Board of Directors and contained in the specific evaluation policy.
Exposures classified in Stage 3 are classified in the various risk conditions and, consequently, subjected to an analytical or flat-rate analysis. The value adjustments on Stage 3 exposures reflect the expected loss calculated over a time frame equal to the entire life of the respective exposure.
Within the framework of its evaluation policies, the Bank has used assessment processes and methods characterized by subjective and estimation elements for some variables such as, mainly, expected cash flows, expected recovery times and the likely realizable value of guarantees, where present, which, if modified, could vary the final recoverable value; this determination was based on the use of information available at the date of assessment, taking into due account the possible effects of the pandemic crises. Impaired receivables that are considered “in bonis” for an amount that is lower than a pre-set threshold, for which there is no objective evidence of expected loss, are not subjected to the flat-rate analysis, which entails the statistical calculation of expected loss and therefore of the respective value adjustments for homogenous categories of exposures (defined based on the counterparty segment and the technical type of the instrument).
Analytical impairment, however, must still be assessed whenever there is objective evidence of degradation which requires a precise analysis.
Specifically, with respect to the concept of significance expounded in the current accounting principles, impaired overdue exposures and probable default exposures for individual amounts lower than the threshold of significance set at € 300,000 were subjected to impairment using the flat-rate method.
The evaluation of non-performing exposures is updated periodically in order to allow for timely transposition of any events that may modify prospects for credit recovery.
Non-performing loans are evaluated analytically, that is, based on an accurate study of the recoverability of each position, taking into account all elements that may be useful in terms of defining the probability of repayment.
Probable defaults are updated periodically in order to allow for timely transposition of any events that may modify prospects for credit recovery, and ascertain whether they meet the requirements for transfer to impairment.
Value adjustments for this category are evaluated based on the criteria below:

- For exposures greater than the € 300,000 threshold, analytically;
- For exposures less than or equal to the € 300,000 threshold, for which there is no objective evidence of loss, using the flat-rate method in similar types of exposures.

The evaluation is aimed at calculating any expected losses, while taking into account that exposures are classified in this risk class based on the Bank’s assessment of the unlikelihood that, without recourse to measures such as the enforcement of guarantees, the debtor will meet payment obligations fully; evidently, this evaluation must be made regardless of any amounts (or instalments) overdue and not paid.
Therefore, as regards cases of positions classified as probable defaults, the presumed value of repayment of the receivable is estimated by evaluating the capacity of the borrower to meet all repayment obligations, measured on the basis of all the information available regarding the borrower’s financial and economic situation, and the value of any existing collateral underlying the receivable/s in question.
The salvage value is determined, based on the foreseen recovery strategy (distinguishing between management for "business continuity" and management "for disposal"), that reflects the overall degree of risk, by evaluating the capacity to generate cash flows sufficient for repayment and/or on the mere enforcement of collateral and guarantees.
For exposures less than or equal to the € 300,000 threshold, for which there is no objective evidence of loss, value write-downs are calculated using the flat-rate method for similar types of exposures.

Exposures classified ad overdue/overdrawn, for which there is no objective evidence of loss, are evaluated using the flat-rate method for similar types of exposures.
The flat-rate method estimation entails a statistical calculation of expected loss and, therefore, of the respective write-downs in value.

3.2 Write-offs
As regards impaired receivables, the Bank writes off/derecognizes – in whole or in part - uncollectable accounting entries (so-called write-off) and consequently allocates the residual unadjusted amount to losses in the following cases:
a) non-recoverability of the receivable, resulting from certain and specific elements (such as, for example, borrower is untraceable or destitute, failed recovery from enforcement action on movable and immovable property, negative foreclosures, insolvency procedures terminated with incomplete recovery for the Bank, if there are no additional guarantees that may be enforced, etc.);
b) debt waiver, following unilateral remission of the loan or residual amount pursuant to agreements;
c) transfer of receivables.
In some circumstances, it also becomes necessary to partially write off gross receivables in order to adjust them to the Bank’s effective interests. This is the case, for example, in the event of measures that are not under appeal, within the scope of insolvency procedures, based on which a receivable amount lower than the book amount is recognised as due.
Furthermore, the Bank has provided for the possibility, on an annual basis, of defining portfolios of impaired receivables to be written off, partially or totally, which collectively have the following macro-characteristics:
– hedging percent > 95%
– average seniority (intended as the period of time passed in a “non-performing” conditions) greater than 6 years.

3.3 Impaired purchased or originated financial assets

Based on the IFRS9 accounting principle, receivables that are considered already impaired on initial recognition in the balance sheet, due to the respective high risk level, are defined as Purchased or Originated Credit Impaired Asset (POCI). These receivables, if they fall within the scope of application of impairment pursuant to IFRS9, are measured by allocating – starting from initial recognition – a provision to hedge losses for the entire residual life of the credit (so-called Expected Credit Loss Lifetime). As these are impaired receivables, they must be initially classified in Stage 3, although they may be moved, during their lifetime, to Stage 2 if they are considered no longer impaired based on the credit risk analysis.
The Bank identifies as “Impaired purchased or originated financial assets”:
• credit exposures already impaired at the moment of purchase, and;
• credit exposures originated in the event of restructuring transaction of impaired exposures that determined the disbursement of new funding, or introduced substantial changes to the original contract conditions.

4. Financial assets subject to commercial renegotiation and exposures covered by forbearance
The new policy for the management of exposures covered by forbearance (Forbearance Policy) was approved on 27/01/2020.
Regulations implemented by the Bank provide for clear lines being drawn between commercial renegotiation measures and forbearance on existing loans (so-called forbearance measures).
Commercial renegotiations aim to consolidate the relation with the borrower counterparty who, on in-depth assessment, is nonetheless capable of timely fulfilment of all financial obligations originally taken on.
Instead, a forbearance measure is a variation of contract terms in favour of borrower customers who, even if as a result of temporary events, are no longer capable of meeting the financial obligations originally agreed upon. Therefore, ascertained financial difficulty is a decisive requirement to qualify changes in the value, times and terms of credit repayment, as forbearance measures. The subjective assessment (judgmental) of the customer on the part of the credit manager is supported by any objective anomalies in the credit exposure detected by the system. Objective financial difficulty is always subjected to a subsequent subjective assessment, which may result in the confirmation of the exclusion of the existence of financial difficulties. The subjective evaluation is nonetheless carried out, regardless of the observance of objective anomalies.
Financial difficulty is considered confirmed if the counterparty is classified as non-performing.
Approval of a forbearance measure:
- involves the completion of procedures that implicate an assessment aimed at verifying the efficacy of the measure in question for the purpose of re-establishing the borrower’s autonomous compliant conduct, without the need for further, subsequent support, returning the exposure to a situation of sustainable repayment and, as regards non-performing loans, with the key objective of laying the bases for return to in bonis status. The analysis in question is made up of various stages that elaborate both objective and subjective information;

- involves qualifying the position involved in the measure in question as forborne. A performing counterparty that receives forbearance may conserve the administrative conditions. Nevertheless, the obligation must be met for the entire time that the credit exposure to which forbearance has been applied is qualified as forborne.

When the forbearance measure is perfected, a monitoring period begins, which is called, based on the case, Probation Period (two years of forborne performing exposures) and Cure Period (one year for forborne non-performing exposures). At the end of these periods of time, the possibility of improving the classification of the status or, for performing exposures, the cancellation of the qualification as forborne, may be taken into consideration, but only if the borrower's conduct is compliant and all the conditions provided for by the reference regulations are met.
The above being given, please note that if the contract modifications granted to customers are considered "substantial", based on differentiation for commercial modifications and modifications resulting from forbearance measures, they may result in derecognition of the financial asset from the balance sheet and re-recognition of a new asset (so-called "derecognition accounting"). In this situation, and specifically as regards positions that pass the SPPI test, for the purpose of impairment, the Bank considers the date of initial recognition as the date on which the asset is modified. To the contrary, as regards contract modifications that are considered "not substantial", and therefore not subject to "derecognition accounting", for the purpose of impairment, the Bank considers the date of initial recognition as the date on which the instrument is originated.

Effect deriving from the Covid-19 pandemic
In accordance with EBA provisions contained in the "Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis" dated 4 April 2020, moratoria granted to customers *ex lege* and in application of category agreements (ABI agreements), were not considered indicators of financial difficulty for the purposes of classification of individual exposures within the scope of forborne exposures (and consequent inclusion in Stage 2).
In line with expectations outlined by European and Italian Vigilance Authorities, from the start of the crisis caused by the Covid-19 pandemic, the Bank identified the need to closely monitor and assess counterparties who benefitted from aid measures provided for by government decrees. In fact, the moratoria on payments has in fact created, for the principle monitoring systems (for example: Early Warning and Internal Rating System) a problem in intercepting some anomalies and triggers for possible difficulty or impairment of the counterparty.
As it was impossible to revise the software quickly, appropriate management actions were implemented to intercept possible future customer difficulties, both in the Corporate and in the Retail sector, and, specifically, an analytical assessment process was started for exposures benefitting from moratoria, in order to assess the significant increase in credit risk and, in particular, the forbearance measures, in compliance with current regulations and European supervisory recommendations, and to continue actively supporting counterparties in temporary difficulty due to the consequences of Covid-19.
Please refer to the contents of Part A, Section 4 – Other aspects, regarding the methods used to book moratoria granted to customers struck by the economic consequences of the Covid-19 pandemic.

Quantitative information

A. Credit quality

A.1 Exposure to impaired and in bonis receivables: amounts, value adjustments, dynamics, economic and territorial distribution

A.1.1 Distribution of financial assets by the portfolio to which they belong and by credit quality (balance sheet values)

Portfolios/quality	Non-performing loans	Probable default	Impaired overdue positions	In bonis overdue positions	Other in bonis positions	Total 31/12/2020
1. Financial assets measured at amortized cost	83,932	62,295	2,532	27,965	3,293,885	**3,470,610**
2. Financial assets measured at fair value with impact on total profits	0	0	0	0	173,030	**173,030**
3. Financial assets measured at fair value	0	0	0	0	0	**0**
4. Financial assets obligatorily measured at fair value	0	0	0	0	65,767	**65,767**
5. Financial assets in course of divestment	0	0	0	0	0	**0**
Total 31/12/2020	**83,932**	**62,295**	**2,532**	**27,965**	**3,532,683**	**3,709,407**
Total 31/12/2019	**89,287**	**79,091**	**8,334**	**69,604**	**3,255,284**	**3,501,600**

Notes:
The table shows the classification by credit quality for the entire portfolio of financial assets, with the exception of equity instruments and of shares in mutual funds, equal to 28,971 thousand euro.
The value shown are the balance sheet values, net of the relative write-downs.

A.1.2 Distribution of financial assets by the portfolio to which they belong and by credit quality (gross and net values)

Portfolios/quality	Impaired assets				In bonis assets			Total (net exposure)
	Gross exposure	Overall value adjustments	Net exposure	Overall Write-offs	Gross exposure	Overall value adjustments	Net exposure	
1. Financial assets measured at amortized cost	266,829	118,070	148,759	0	3,348,627	26,776	3,321,850	**3,470,610**
2. Financial assets measured at fair value with impact on total profits	0	0	0	0	173,143	113	173,030	**173,030**
3. Financial assets measured at fair value	0	0	0	0	0	0	0	**0**
4. Financial assets obligatorily measured at fair value	0	0	0	0	0	0	65,767	**65,767**
5. Financial assets in course of divestment	0	0	0	0	0	0	0	**0**
Total 31/12/2020	**266,829**	**118,070**	**148,759**	**0**	**3,521,770**	**26,889**	**3,560,648**	**3,709,407**
Total 31/12/2019	**304,692**	**127,980**	**176,712**	**0**	**3,271,160**	**11,910**	**3,324,888**	**3,501,600**

Notes:
The table shows classification by type of receivable of the entire portfolio of financial assets, with the exception of equity instruments and shares of mutual funds amounting to 28,971 thousand euro.

A.1.2 bis Distribution of credit exposure by assets with poor credit quality

Portfolio quality	Assets with evidently poor credit quality		Other assets
	Cumulative losses	Net exposure	Net exposure
1. Financial assets held for trading	0	0	65,348
2. Hedges	0	0	0
Total	**0**	**0**	**65,348**

A.1.3 Distribution of financial assets by time overdue (balance sheet values)

Portfolios/Risk stages	First stage			Second stage			Third stage		
	Over 30 days up to 90	Over 90 days	From 1 to 30 days	From 1 to 30 days	Over 30 days up to 90	Over 90 days	From 1 to 30 days	Over 30 days up to 90	Over 90 days
1. Financial assets measured at amortized cost	4,562	0	6	9,238	4,545	9,614	823	980	119,444
2. Financial assets measured at fair value with impact on total profits	0	0	0	0	0	0	0	0	0
3. Financial assets in course of divestment	0	0	0	0	0	0	0	0	0
TOTAL 31/12/2020	**4,562**	**0**	**6**	**9,238**	**4,545**	**9,614**	**823**	**980**	**119,444**
TOTAL 31/12/2019	**13,593**	**2**	**36**	**7,246**	**12,939**	**33,310**	**3,481**	**3,385**	**137,845**

A.1.4 Financial assets, commitments to disburse funds and financial guarantees issued: dynamics of the overall value adjustments and of total provisions – part 1

Causal factors/risk stages	Overall value adjustments				
	Assets classified in stage one				
	FA valued at amortized cost	FA measured at fair value with impact on total profits	AF in course of divestment	of which: individual write-downs	of which: collective write-downs
Overall initial adjustments	5,345	179	0	518	5,006
Value increases from financial assets purchased or originated	0	0	0	0	0
Derecognition other than write-offs	0	0	0	0	0
Net adjustments/write-backs due to impairment (+/-)	4,820	-148	0	-423	5,095

Causal factors/risk stages	Overall value adjustments				
	Assets classified in stage one				
	FA valued at amortized cost	FA measured at fair value with impact on total profits	AF in course of divestment	of which: individual write-downs	of which: collective write-downs
Contract modifications without derecognition	0	0	0	0	0
Changes in the method of estimation	0	0	0	0	0
Write-off not recognised directly in the income statement	0	0	0	0	0
Other variations	0	0	0	0	0
Overall final adjustments	**10,166**	**31**	**0**	**95**	**10,101**
Recoveries from collection on financial assets written-off	0	0	0	0	0
Write-offs recognised directly in the income statement	0	0	0	0	0

A.1.4 Financial assets, commitments to disburse funds and financial guarantees issued: dynamics of the overall value adjustments and of total provisions – part 2

Causal factors/risk stages	Overall value adjustments				
	Assets classified in stage two				
	FA valued at amortized cost	FA measured at fair value with impact on total profits	AF in course of divestment	of which: individual write-downs	of which: collective write-downs
Overall initial adjustments	6,344	42	0	42	6,344
Value increases from financial assets purchased or originated	0	0	0	0	0
Derecognition other than write-offs	0	0	0	0	0
Net adjustments/write-backs due to impairment (+/-)	10,267	40	0	40	10,267
Contract modifications without derecognition	0	0	0	0	0
Changes in the method of estimation	0	0	0	0	0
Write-off not recognised directly in the income statement	0	0	0	0	0
Other variations	0	0	0	0	0
Overall final adjustments	**16,611**	**82**	**0**	**82**	**16,611**
Recoveries from collection on financial assets written-off	0	0	0	0	0
Write-offs recognised directly in the income statement	0	0	0	0	0

A.1.4 Financial assets, commitments to disburse funds and financial guarantees issued: dynamics of the overall value adjustments and of total provisions – part 3

Causal factors/risk stages	Overall value adjustments					
	Assets classified in third stage					of which: impaired financial assets purchased or originated
	FA valued at amortized cost	FA measured at fair value with impact on total profits	AF in course of divestment	of which: individual write-downs	of which: collective write-downs	
Overall initial adjustments	127,980	0	0	127,980	0	0
Value increases from financial assets purchased or originated	0	0	0	0	0	0
Derecognition other than write-offs	0	0	0	0	0	0
Net adjustments/write-backs due to impairment (+/-)	13,215	0	0	13,215	0	0
Contract modifications without derecognition	-12	0	0	-12	0	0
Changes in the method of estimation	0	0	0	0	0	0
Write-off not recognised directly in the income statement	-14,109	0	0	-14,109	0	0
Other variations	-9,004	0	0	-9,004	0	0
Overall final adjustments	**118,070**	**0**	**0**	**118,070**	**0**	**0**

Causal factors/risk stages	Overall value adjustments					
	Assets classified in third stage					of which: impaired financial assets purchased or originated
	FA valued at amortized cost	FA measured at fair value with impact on total profits	AF in course of divestment	of which: individual write-downs	of which: collective write-downs	
Recoveries from collection on financial assets written-off	0	0	0	0	0	0
Write-offs recognised directly in the income statement	0	0	0	0	0	0

A.1.4 Financial assets, commitments to disburse funds and financial guarantees issued: dynamics of the overall value adjustments and of total provisions – part 4

Causal factors/risk stages	Overall provisions on commitments to disburse funds and financial guarantees issued			Total
	First stage	Second stage	Third stage	
Overall initial adjustments	42	8	2,047	**141,986**
Value increases from financial assets purchased or originated	0	0	0	**0**
Derecognition other than write-offs	0	0	0	**0**
Net adjustments/write-backs for credit risk (+/-)	251	36	62	**28,544**
Contract modifications without derecognition	0	0	0	**-12**
Changes in the method of estimation	0	0	0	**0**
Write-offs not recognised directly to the Income Statement	0	0	0	**-14,109**
Other variations	0	0	0	**-9,004**
Overall final adjustments	**293**	**43**	**2,109**	**147,404**
Recoveries from collections on financial assets written off	0	0	0	**0**
Write-offs recognised directly to the Income Statement	0	0	0	**0**

A.1.5 Financial assets, commitments to disburse funds and financial guarantees issued: transfers between the various risk stages (gross and nominal values)

Portfolios/risk stages	Gross value / Nominal value					
	Transfers between first stage and second stage		Transfers between second stage and third stage		Transfers between first stage and third stage	
	From 1st stage to 2nd stage	From 2nd stage to 1st stage	From 2nd stage to 3rd stage	From 3rd stage to 2nd stage	From 1st stage to 3rd stage	From 3rd stage to 2nd stage
1. Financial assets measured at amortized cost	49,974	64,105	4,911	4,297	4,408	657
2. Financial assets measured at fair value with impact on total profits	0	28,519	0	0	0	0
3. Financial assets in course of divestment	0	0	0	0	0	0
4. Commitments to disburse funds e financial guarantees issued	921	3,407	123	0	95	0
Total 31/12/2020	**50,895**	**96,032**	**5,034**	**4,297**	**4,503**	**657**
Total 31/12/2019	**119,277**	**27,841**	**13,774**	**5,635**	**5,154**	**1,540**

A.1.5a Loans subject to Covid-19 aid measures: transfers between the various risk stages (gross values)

Portfolios/risk stages	Gross values / Nominal values					
	Transfers between first stage and second stage		Transfers between second stage and third stage		Transfers between first stage and third stage	
	From 1st stage to 2nd stage	From 2nd stage to 1st stage	From 2nd stage to 3rd stage	From 3rd stage to 2nd stage	From 1st stage to 3rd stage	From 3rd stage to 2nd stage
A. Loans measured at amortized cost						
A.1 Subject to forbearance in conformity with GL	20,762	20,552	684	32	1,503	256
A.2 Subject to other forbearance measures	31	0	0	0	0	0
A.3 New loans	16,237	3,700	25	0	60	6
B. Loans measured at fair value with impact on total profits						
B.1 With forbearance conformant to GL	0	0	0	0	0	0
B.2 Subject to other forbearance measures	0	0	0	0	0	0
B.3 New loans	0	0	0	0	0	0
Total 31/12/2020	**37,030**	**24,251**	**710**	**32**	**1,564**	**262**
Total 31/12/2019	**0**	**0**	**0**	**0**	**0**	**0**

A.1.6 Cash and off balance sheet exposure to banks: gross and net values

Types of exposures/values	Gross exposure		Overall value adjustments and total provisions	Net exposure	Overall partial write-off (*)
	Impaired	In bonis			
A. Cash exposures					
a) Non-performing loans	0	X	0	0	0
- of which: forbearance	*0*	*X*	*0*	*0*	*0*
b) Probable defaults	0	X	0	0	0
- of which: forbearance	*0*	*X*	*0*	*0*	*0*
c) Impaired overdue exposures	0	X	0	0	0
- of which: forbearance	*0*	*X*	*0*	*0*	*0*
d) In bonis overdue exposures	X	0	0	0	0
- of which: forbearance	*X*	*0*	*0*	*0*	*0*
e) Other in bonis exposures	X	417,234	483	416,751	0
- of which: forbearance	*X*	*0*	*0*	*0*	*0*
TOTAL A	**0**	**417,234**	**483**	**416,751**	**0**
B. Off-balance sheet positions					
a) Impaired	0	X	0	0	0
b) In bonis	X	11,592	0	11,592	0
TOTAL B	**0**	**11,592**	**0**	**11,592**	**0**
TOTAL A + B	**0**	**23,183**	**0**	**23,183**	**0**

Notes:
The table shows the breakdown by credit quality of exposures to banks. Specifically, all financial assets related to exposures with bank from balance sheet line items "20 - Financial assets held for trading", "30 - Financial assets measured at fair value with impact on total profits" and "40 - Financial assets measured at amortized cost a) receivables from banks".
The table does not include equity investments and shares in mutual funds for a total of 28,970 thousand euro and securities issued by non-bank counterparties for 199,431 thousand euro.

A.1.7 Cash and off balance sheet credit exposure to customers: gross and net values

Type of exposure/values	Gross exposure		Overall value adjustments and overall provisions	Net exposure	Overall partial write-off (*)
	Impaired	In bonis			
A. Cash exposures					
a) Non-performing loans	174,662	X	90,729	83,932	0
- of which: forbearance	*0*	*X*	*0*	*0*	*0*
b) Probable defaults	89,055	X	26,760	62,295	0
- of which: forbearance	*58,488*	*X*	*16,630*	*41,858*	*0*
c) Impaired overdue exposures	3,112	X	580	2,532	0
- of which: forbearance	*3*	*X*	*1*	*2*	*0*
d) In bonis overdue exposures	X	28,720	755	27,965	0

Type of exposure/values	Gross exposure		Overall value adjustments and overall provisions	Net exposure	Overall partial write-off (*)
	Impaired	In bonis			
- of which: forbearance	*X*	*7,406*	*118*	*7,288*	*0*
e) Other in bonis exposures	X	3,141,882	25,950	3,115,932	0
- of which: forbearance	*X*	*40,682*	*3,523*	*37,159*	*0*
TOTAL A	**266,829**	**3,170,602**	**144,776**	**3,292,656**	**0**
B. Off balance sheet exposures					
a) Impaired	14,399	X	2,109	12,290	0
b) In bonis	X	1,114,196	0	1,114,196	0
TOTAL B	**14,399**	**1,114,196**	**2,109**	**1,126,486**	**0**
TOTAL A + B	**281,228**	**4,284,798**	**147,221**	**4,418,805**	**0**

Notes:
The table shows the breakdown by credit quality of exposures customers. Specifically, all financial assets related to exposures with bank from balance sheet line items "20 - Financial assets measured at fair value with recognition of income effects through profit and loss", "30 - Financial assets measured at fair value with impact on total profits" and "40 - Financial assets measured at amortized cost a) receivables from customers".
The table does not include equity investments and shares in mutual funds for 28,970 thousand euro, and securities issued by banks for 39,367 thousand euro.

A.1.7a Cash exposures to customers subject to Covid-19 aid measures: gross and net values

Type of exposure/values	Gross exposure	Overall value adjustments and overall provisions	Net exposure	Overall partial write-off (*)
A. Non-performing loans	0	0	**0**	0
a) Subject to forbearance in compliance with GL	0	0	**0**	0
b) Subject to other forbearance measures	0	0	**0**	0
c) New loans	0	0	**0**	0
B. Loans to probable defaults	**2,608**	**816**	**1,791**	0
a) Subject to forbearance in compliance with GL	2,443	765	**1,679**	0
b) Subject to other forbearance measures	0	0	**0**	0
c) New loans	165	52	**113**	0
C. Impaired overdue loans	**177**	**39**	**138**	0
a) Subject to forbearance in compliance with GL	118	27	**91**	0
b) Subject to other forbearance measures	0	0	**0**	0
c) New loans	59	12	**47**	0
D. In bonis overdue loans	**217**	**8**	**209**	0
a) Subject to forbearance in compliance with GL	217	8	**209**	0
b) Subject to other forbearance measures	0	0	**0**	0
c) New loans	0	0	**0**	0
E. Other in bonis loans	**851,154**	**18,634**	**832,520**	0
a) Subject to forbearance in compliance with GL	530,057	13,142	**516,915**	0
b) Subject to other forbearance measures	902	1	**901**	0
c) New loans	320,196	5,491	**314,704**	0
TOTAL A+B+C+D+E	**854,157**	**19,498**	**834,659**	0

A.1.9 Cash exposures to customers: dynamics of gross impaired accounts

Causes/Categories	Non-performing loans	Probable defaults	Impaired overdue exposures
A. Initial gross exposures	**171,904**	**123,118**	**9,670**
- of which: accounts disposed of but not derecognised	*0*	*0*	*0*
B. Additions	**36,329**	**19,056**	**3,744**
B.1 entries from in bonis receivables	6,015	11,237	3,149
B.2 entries from impaired financial assets purchased or originated	0	0	0
B.3 transfers from other categories of impaired exposures	28,693	5,380	270
B.4 contract modifications without derecognition	0	0	0
B.5 other additions	1,622	2,438	324
C. Reductions	**33,571**	**53,119**	**10,302**
C.1 transfers to in bonis receivables	0	4,154	1,331
C.2 write-offs	14,589	0	0
C.3 collections	16,693	2,782	1,142
C.4 income from disposals	0	5,419	1,114

Causes/Categories	Non-performing loans	Probable defaults	Impaired overdue exposures
C.5 losses from disposals	0	2,537	132
C.6 transfers to other categories of impaired exposures	2,289	25,471	6,583
C.7 contract modifications without derecognition	0	0	0
C.8 other reductions	0	12,756	0
D. Gross final exposure	**174,662**	**89,055**	**3,112**
- of which: accounts disposed of but not derecognised	*0*	*0*	*0*

Notes:
Line items C.4 and C.5 show the *pro-soluto* disposal transaction of a portfolio of impaired receivables perfected by the Bank during the fiscal year. This transaction involved the disposal of gross receivables for a total 63,364 thousand euro against a payment of 12,352 thousand euro as better specified in the report on management.

A.1.9 bis Cash exposure to customers: dynamics of gross forbearance exposure subdivided by credit quality

Variables/Categories	Forbearance: impaired	Forbearance: in bonis
A. Initial gross exposures	**83,474**	**46,228**
- of which: accounts disposed of but not derecognised	*0*	*0*
B. Additions	**1,862**	**7,528**
B.1 entries from in bonis receivables without forbearance	1,351	3,587
B.2 entries from in bonis receivables with forbearance	511	0
B.3 entries from impaired receivables with forbearance	0	3,941
B.4 other additions	0	0
C. Reductions	**26,845**	**5,669**
C.1 transfers to in bonis receivables without forbearance	0	5,742
C.2 transfers to in bonis receivables with forbearance	3,941	0
C.3 transfers to impaired receivables with forbearance	0	511
C.4 write-off	0	0
C.5 collections	0	0
C.6 income from disposals	0	0
C.7 losses from disposals	0	0
C.8 other reductions	22,905	-584
D. Gross final exposure	58,491	48,087
- of which: accounts disposed of but not derecognised	*0*	*0*

A.1.11 Impaired cash exposures to customers: dynamics of overall value adjustments

Variables /Categories	Non-performing loans		Probable defaults		Impaired overdue exposures	
	Total	of which: forbearance	Total	of which: forbearance	Total	of which: forbearance
A. Initial overall adjustments	**82,616**	**0**	**44,027**	**33,538**	**1,336**	**12**
- of which: accounts disposed of but not derecognised	*0*	*0*	*0*	*0*	*0*	*0*
B. Additions	**30,784**	**0**	**7,817**	**6,193**	**485**	**1**
B.1 value adjustments from impaired financial assets purchased or originated	0	0	0	0	0	0
B.2 other value adjustments	19,323	0	6,892	0	370	0
B.3 losses from disposals	0	0	0	0	0	0
B.4 transfers from other categories of impaired accounts	11,462	0	785	50	73	0
B.5 contract modifications without derecognition	0	0	0	0	1	0
B.6 other additions	0	0	140	6,143	40	1
C. Reductions	**22,671**	**0**	**25,084**	**23,101**	**1,241**	**12**
C.1 write-backs of value from measurements	2,233	0	3,832	0	363	0
C.2 write-backs of value from collections	269	0	6,673	0	0	0
C.3.gains from disposals	0	0	30	0	0	0
C.4 write-offs	14,109	0	0	0	0	0
C.5 transfers to other categories of impaired accounts	298	0	11,156	69	866	0
C.6 contract modifications without derecognition	0	0	0	0	12	0
C.7 Other reductions	5,762	0	3,392	23,033	0	12
D. Final overall adjustments	**90,729**	**0**	**26,760**	**16,630**	**580**	**1**
- of which: accounts disposed of but not derecognised	*0*	*0*	*0*	*0*	*0*	*0*

A.2 Classification of exposures based in internal and external ratings

A.2.1 Distribution of cash and off balance sheet exposures by class of external ratings

Exposures	Class of external rating						without rating	Total 31/12/2020
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Financial assets measured at amortized cost								
- First stage	0	0	280,448	0	5,718	0	2,815,294	**3,101,460**
- Second stage	0	0	0	5,995	0	0	241,172	**247,167**
- Third stage	0	0	0	0	0	0	266,829	**266,829**
B. Financial assets measured at fair value with impact on total profits								
- First stage	0	0	135,835	0	0	0	0	**135,835**
- Second stage	0	0	0	37,307	0	0	0	**37,307**
- Third stage	0	0	0	0	0	0	0	**0**
Total (A + B)	**0**	**0**	**416,283**	**43,303**	**5,718**	**0**	**3,323,294**	**3,788,599**
of which: impaired financial assets purchased or originated	0	0	0	0	0	0	842	**4,475,738**
C. Commitments to disburse funds e financial guarantees issued								
- First stage	0	0	0	0	0	0	1,047,347	**1,047,347**
- Second stage	0	0	0	0	0	0	52,824	**52,824**
- Third stage	0	0	0	0	0	0	11,723	**11,723**
Total (C)	**0**	**0**	**0**	**0**	**0**	**0**	**1,111,894**	**1,111,894**
Total (A + B + C)	**0**	**0**	**416,283**	**43,303**	**5,718**	**0**	**4,435,188**	**4,900,492**

Class 1 = AAA/AA-
Class 2 = A+/A-
Class 3 = BBB+/BBB-
Class 4 = BB+/BB-
Class 5 = B+/B-
Class 6 = Inferior to B-

A.3 Distribution of secured exposures by type of guarantee

A.3.1 Secured credit exposure to banks - part 1

Line items	Net exposure value	Collateral (1)			
		Real property for mortgage	Real property for financial leasing	Securities	Other collateral
1. Secured cash exposures:					
1.1 fully secured	0	0	0	0	0
- of which impaired	0	0	0	0	0
1.2 partially secured	0	0	0	0	0
- of which impaired	0	0	0	0	0
2 Secured off balance sheet credit exposures:					
2.1 fully secured	0	0	0	0	0
- of which impaired	0	0	0	0	0
2.2 partially secured	0	0	0	0	0
- of which impaired	0	0	0	0	0

A.3.1 Secured credit exposures to banks - part 2

Line items	Personal security(2)									Total (1)+(2)
	Credit derivatives					Endorsement receivables				
	CLN	Other derivatives								
		Governments and central banks	Other public entities	Banks	Other parties	Governments and central banks	Other public entities	Banks	Other parties	
1. Secured cash exposures:										
1.1 fully secured	0	0	0	0	0	0	0	0	0	**0**
- of which impaired	0	0	0	0	0	0	0	0	0	**0**
1.2 partially secured	0	0	0	0	0	0	0	0	0	**0**

Line items	Personal security(2)									Total (1)+(2)
	Credit derivatives					Endorsement receivables				
	CLN	Other derivatives								
		Governments and central banks	Other public entities	Banks	Other parties	Governments and central banks	Other public entities	Banks	Other parties	
- of which impaired	0	0	0	0	0	0	0	0	0	**0**
2 Secured off balance sheet credit exposures:										
2.1 fully secured	0	0	0	0	0	0	0	0	0	**0**
- of which impaired	0	0	0	0	0	0	0	0	0	**0**
2.2 partially secured	0	0	0	0	0	0	0	0	0	**0**
- of which impaired	0	0	0	0	0	0	0	0	0	**0**

A.3.2 Secured credit exposures to customers - part 1

Line items	Gross exposure	Net exposure	Collateral (1)			
			Real property for mortgages	Real property - financial leases	Securities	Other collateral
1. Secured cash exposures:						
1.1 fully secured	2,002,206	1,922,345	1,415,066	0	5,546	20,020
- of which impaired	189,313	127,321	103,825	0	40	824
1.2 partially secured	314,763	307,892	493	0	11,721	3,335
- of which impaired	8,533	4,953	90	0	0	93
2 Secured off balance sheet credit exposures:						
2.1 fully secured	167,000	167,000	8,219	0	587	9,183
- of which impaired	3,866	3,866	24	0	0	3
2.2 partially secured	43,535	43,535	0	0	498	2,948
- of which impaired	1,163	1,163	0	0	0	13

A.3.2 Secured credit exposures to customers - part 2

Line items	Personal security (2)									Total (1)+(2)
	Credit derivatives					Endorsement receivables				
	CLN	Other derivatives								
		Central counterparties	Banks	Other financial companies	Other parties	Public administrations	Banks	Other financial companies	Other parties	
1. Secured cash exposures:										
1.1 fully secured	0	0	0	0	0	182,576	0	10,815	282,779	**1,916,802**
- of which impaired	0	0	0	0	0	2,435	0	761	18,824	**126,709**
1.2 partially secured	0	0	0	0	0	195,701	0	4,254	43,781	**259,284**
- of which impaired	0	0	0	0	0	1,069	0	610	1,951	**3,813**
2 Secured off balance sheet credit exposures:										
2.1 fully secured	0	0	0	0	0	7,157	1,200	2,188	138,157	**166,691**
- of which impaired	0	0	0	0	0	250	0	35	3,554	**3,866**
2.2 partially secured	0	0	0	0	0	10,191	0	308	14,914	**28,859**
- of which impaired	0	0	0	0	0	0	0	40	1,011	**1,064**

B. Distribution and concentration of credit exposure

B.1 Distribution of cash and off balance sheet credit exposure to customers (Book value) - part 1

Exposures/Counterparties	Public administrations		Financial companies		Financial companies (of which: other financial companies)	
	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. Cash exposure						
A.1 Non-performing loans	0	0	1.876	1.299	0	0
- of which: forbearance	0	0	0	0	0	0

Exposures/Counterparties	Public administrations		Financial companies		Financial companies (of which: other financial companies)	
	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A.2 Probable defaults	0	0	63	33	0	0
- of which: forbearance	0	0	0	0	0	0
A.3 Impaired overdue exposures	0	0	0	0	0	0
- of which: forbearance	0	0	0	0	0	0
A.4 In bonis exposures	418,217	95	229,455	160	8,097	41
- of which: forbearance	0	0	0	0	0	0
TOTAL A	**418,217**	**95**	**231,394**	**1,492**	**8,097**	**41**
B. Off balance sheet exposure						
B.1 Impaired accounts	0	0	0	0	0	0
B.2 In bonis exposures	804	0	106,579	1	0	0
TOTAL B	804	0	106,579	1	0	0
TOTAL (A+B) 31/12/2020	**419,020**	**95**	**337,973**	**1,492**	**8,097**	**41**
TOTAL (A+B) 31/12/2019	**728,884**	**518**	**298,975**	**1,447**	**7,958**	**40**

B.1 Sector distribution of "off balance sheet" credit exposures to customers (book value) - part 2

Exposures/Counterparties	Non finance companies		Families	
	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. Cash exposure				
A.1 Non-performing loans	41,178	71,705	40,878	17,725
- of which: forbearance	0	0	0	0
A.2 Probable defaults	33,197	17,312	29,035	9,415
- of which: forbearance	18,412	8,506	23,446	8,124
A.3 Impaired overdue exposures	1,089	278	1,443	303
- of which: forbearance	0	0	2	1
A.4 In bonis exposures	1,366,681	23,140	1,129,544	3,311
- of which: forbearance	21,616	3,102	22,831	539
TOTAL A	**1,442,145**	**112,435**	**1,200,900**	**30,754**
B. Off balance sheet exposure				
B.1 Impaired accounts	11,291	2,109	998	0
B.2 In bonis exposures	915,928	322	90,550	13
TOTAL B	**927,219**	**2,431**	**91,548**	**13**
TOTAL (A+B) 31/12/2020	**2,369,364**	**114,866**	**1,292,448**	**30,767**
TOTAL (A+B) 31/12/2019	**2,080,305**	**110,661**	**1,192,329**	**29,184**

B.1 Sector distribution of "off balance sheet" credit exposures to customers (book value) - part 3

Exposures/Counterparties	Total	
	Net exposure	Overall value adjustments
A. Cash exposure		
A.1 Non-performing loans	83,932	90,729
- of which: forbearance	*0*	*0*
A.2 Probable defaults	62,295	26,760
- of which: forbearance	*41,858*	*16,630*
A.3 Impaired overdue exposures	2,532	580
- of which: forbearance	*2*	*1*
A.4 In bonis exposures	3,143,896	26,706
- of which: forbearance	*44,447*	*3,641*
TOTAL A	**3,292,656**	**144,776**
B. Off balance sheet exposure		
B.1 Impaired accounts	12,290	2,109
B.2 In bonis exposures	1,113,860	336
TOTAL B	**1,126,149**	**2,445**
TOTAL (A+B) 31/12/2020	**4,418,805**	**147,221**
TOTAL (A+B) 31/12/2019	**4,300,493**	**141,810**

B.2 Territorial distribution of "off balance sheet" and cash exposures towards customers (book value) - part 1

Exposures/Geographical areas	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA	
	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. Cash exposures						
A.1 Non-performing loans	83,913	90,679	19	51	0	0
A.2 Probable defaults	62,290	26,757	6	3	0	0
A.3 Impaired overdue exposures	2,532	580	0	0	0	0
A.4 In bonis exposure	3,136,186	26,691	6,331	13	510	0
TOTAL (A)	**3,284,921**	**144,707**	**6,356**	**66**	**510**	**0**
B. Off balance sheet exposure						
B.1 Impaired accounts	12,290	2,109	0	0	0	0
B.2 In bonis exposures	1,113,651	336	209	0	0	0
TOTAL (B)	**1,125,941**	**2,445**	**209**	**0**	**0**	**0**
TOTAL (A + B) 31/12/2020	**4,410,862**	**147,152**	**6,564**	**66**	**510**	**0**
TOTAL (A + B) 31/12/2019	**4,291,999**	**141,741**	**7,693**	**69**	**557**	**0**

B.2 Territorial distribution of “off balance sheet” cash exposures towards customers (book value) - part 2

Exposures/Geographical areas	ASIA		REST OF THE WORLD	
	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. Cash exposures				
A.1 Non-performing loans	0	0	0	0
A.2 Probable defaults	0	0	0	0
A.3 Impaired overdue exposures	0	0	0	0
A.4 In bonis exposure	319	0	550	2
TOTAL (A)	**319**	**0**	**550**	**2**
B. Off balance sheet exposure				
B.1 Impaired accounts	0	0	0	0
B.2 In bonis exposures	0	0	0	0
TOTAL (B)	**0**	**0**	**0**	**0**
TOTAL (A + B) 31/12/2020	**319**	**0**	**550**	**2**
TOTAL (A + B) 31/12/2019	**88**	**0**	**155**	**0**

B.2 Territorial distribution of “off balance sheet” cash exposures towards customers (book value) - part 3

Exposures/Geographical areas	Total	
	Net exposure	Overall value adjustments
A. Cash exposures		
A.1 Non-performing loans	83,932	90,729
A.2 Probable defaults	62,295	26,760
A.3 Impaired overdue exposures	2,532	580
A.4 In bonis exposure	3,143,896	26,706
TOTAL (A)	**3,292,656**	**144,776**
B. Off balance sheet exposure		
B.1 Impaired accounts	12,290	2,109
B.2 In bonis exposures	1,113,860	336
TOTAL (B)	**1,126,149**	**2,445**
TOTAL (A + B) 31/12/2020	**4,418,805**	**147,221**
TOTAL (A + B) 31/12/2019	**4,300,493**	**141,810**

Notes:
The cash exposures shown in the table (3,292,656 thousand euro) are those measured in the financial statements net of impaired receivables and with evidence of overall value adjustments.
Specifically, the table shows all the financial assets regarding customers taken from line items "20 - Financial assets measured at fair value with recognition of income effects through profit and loss", "30 - Financial assets measured at fair value with impact on total profits" and "40 Financial assets measured at amortized cost b) receivables from customers" of the financial statements.
Equity investments and shares in mutual funds amounting to 28,970 thousand euro and bank securities amounting to 39,367 thousand euro are not included.

B.3 Territorial distribution of "off balance sheet" cash exposures to banks (book value) - part 1

Exposures/Geographical areas	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA	
	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. Cash exposures						
A.1 Non-performing loans	0	0	0	0	0	0
A.2 Probable defaults	0	0	0	0	0	0
A.3 Impaired overdue exposures	0	0	0	0	0	0
A.4 In bonis exposure	357,097	453	59,558	30	55	0
TOTAL (A)	**357,097**	**453**	**59,558**	**30**	**55**	**0**
B. Off balance sheet exposure						
B.1 Impaired accounts	0	0	0	0	0	0
B.2 In bonis exposures	8,941	0	2,651	0	0	0
TOTAL (B)	8,941	0	2,651	0	0	0
TOTAL (A + B) 31/12/2020	**366,037**	**453**	**62,209**	**30**	**55**	**0**
TOTAL (A + B) 31/12/2019	**120,812**	**407**	**62,409**	**30**	**1,065**	**1**

B.3 Territorial distribution of "off balance sheet" cash exposures to banks (book value) - part 2

Exposures/Geographical areas	ASIA		REST OF THE WORLD	
	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. Cash exposures				
A.1 Non-performing loans	0	0	0	0
A.2 Probable defaults	0	0	0	0
A.3 Impaired overdue exposures	0	0	0	0
A.4 In bonis exposure	41	0	0	0
TOTAL (A)	**41**	**0**	**0**	**0**
B. Off balance sheet exposure				
B.1 Impaired accounts	0	0	0	0
B.2 In bonis exposures	0	0	0	0
TOTAL (B)	**0**	**0**	**0**	**0**
TOTAL (A + B) 31/12/2020	**41**	**0**	**0**	**0**
TOTAL (A + B) 31/12/2019	**87**	**0**	**0**	**0**

Exposures/Geographical areas	TOTAL	
	Net exposure	Overall value adjustments
A. Cash exposures		
A.1 Non-performing loans	0	0
A.2 Probable defaults	0	0
A.3 Impaired overdue exposures	0	0
A.4 In bonis exposure	416,751	483
TOTAL (A)	**416,751**	**483**
B. Off balance sheet exposure		
B.1 Impaired accounts	0	0
B.2 In bonis exposures	11,592	0
TOTAL (B)	**11,592**	**0**
TOTAL (A + B) 31/12/2020	**428,343**	**483**
TOTAL (A + B) 31/12/2019	**184,372**	**438**

Notes:
Cash exposures to banks (416,751 thousand euro) are those booked in the financial statements net of impaired receivables.
Specifically, the table shows financial assets regarding banks taken from line items "20 - Financial assets measured at fair value with recognition of income effects through profit and loss", "30 - Financial assets measured at fair value with impact on total profits" and "40 Financial assets measured at amortized cost a) receivables from banks" of the financial statements. Equity investments and shares in mutual funds amounting to 28,970 thousand euro and bonds issued by non-bank counterparties amounting to 199,431 thousand euro are not included. Data are distributed territorially based on the country of residence of the counterparty.

B.4 large risks (according to regulatory legislation)

Line items/Values	31/12/2020			31/12/2019		
	Number	Book value	Weighted value	Number	Book value	Weighted value
a. Large risks	11	1,351,586	339,009	10	1,672,759	253,399
b. Zero weighted risks	2	252,774	0	2	542,228	0
Total Large Risks (A-B)	**9**	**1,098,812**	**339,009**	**8**	**1,130,531**	**253,399**

INFORMATION ON SELF-SECURITIZATION TRANSACTIONS – PONTORMO RMBS 2017

Since end of November 2017, Banca Cambiano has been involved as Originator, Servicer and Noteholder in the "Pontormo RMBS 2017" self-securitization transaction (the "Transaction"), with the special purpose vehicle company Pontormo RMBS s.r.l. The exclusive corporate purpose of the latter, registered at n. 35038.9 in the list of securitization vehicles, is the realization of more various securitizations of receivables. During the second semester of 2019, the Transaction was subjected to a restructuring operation (the "Restructuring") that, in short, consisted in the transfer of a second portfolio of credits by Banca Cambiano and the simultaneous issue of two additional asset-backed securities, a senior Note and a junior Note, with the same characteristics as the previously issued securities.
The objectives of the Pontormo RMBS 2017 transaction, the main characteristics of the issued Notes, a selection of quantitative information regarding the 2020 fiscal year and the description of the booking methods in the Bank balance sheet, are illustrated below.

Objectives and structure of the Pontormo RMBS 2017 transaction

The Bank's objective, in initiating Transaction was to transform part of the assets used (mortgage loans) in an asset backed security type of note (Pontormo RMBS Class A) to be used in a series of activities aimed at further facilitating any needs for liquidity, and specifically:

- Short/medium term liquidity through transactions with the Eurosystem;
- Medium term liquidity through Private REPOs (at 2-3 years);
- Refinancing transactions on the New Collateralized Interbank Market (New Mic);
- If the market opportunity arises, and consistently with the average weighted cost of the Bank's funding, the sale of the ABS on the market.

The transaction was concluded obtaining an ABS instrument (with underlying loans issued by the Bank) with a high credit rating: in fact, on issue, the Note had a rating of AA for S&P and AA- for FITCH, higher than the Italian sovereign debt rating (which was, at the same moment, Baa2 for Moody's, BBB for S&P and BBB for Fitch). On 23/10/2018, Fitch reviewed and raised the rating of the Class "A" securities, increasing it from AA- (rating at issue) to AA, the maximum rating obtainable for Italian structured finance transactions. At the moment of the Restructuring in 2019, both rating agencies confirmed the AA rating for the senior Note issued in 2017 and assigned the same rating to the new senior Note issued within the scope of the Restructuring. At the end of April 2020, following the downgrade by Fitch of the rating for Italy, the agency lowered the rating of senior notes to AA- (the agency policy requires a maximum rating on structured finance transactions 6 notches higher than the sovereign rating of reference, so the downgrading of the notes is due solely to the lowered sovereign rating). Therefore, currently the senior notes having a rating of AA by S&P and of AA- by Fitch.
Thus, it was possible to transform part of the Bank's assets, which were otherwise not liquid (the real estate mortgage portfolio), into a financial instrument (the two senior notes) that is rated, transparent, held by the ECB, and, potentially tradable.
This transaction stands out due to its "multi-originator" nature, in that it involves the participation of Banca di Pisa e Fornacette Credito Cooperativo ("Banca di Pisa e Fornacette") along with Banca Cambiano. Each Bank, by means of a sales contract stipulated on 14 November 2017, sold a portfolio of loans (each of which was separate and independent with respect to the other) consisting of receivables, in accordance with the Securitization Law, classified as "*in bonis*" in conformity with current supervisory regulations, and deriving from mortgage loans secured by voluntary mortgages on real property. Within the scope of the Restructuring, each Bank sold, in the same manner described above, a second portfolio of mortgages, again, each of which was separate and independent with respect to the other. Below are some of the principal general criteria for eligibility of the transferred loans, valid for both transfer agreements:

- loans must be in Euro;
- Loans issued to physical persons residing in Italy who, in conformity with the classification criteria adopted by Bank of Italy with Circular. n 140 dated 11 February 1991 (as subsequently amended), fall under one of the following categories for sector of economic activity: n. 600 ("consumer households"); n. 614 ("artisans") or n. 615 ("producer families");
- Mortgage loans secured by voluntary mortgage on one or more real properties located on the Italian territory and with respect to which the real property on which the mortgage is secured (or, in case of one or more mortgages on more than one real property as guarantee for the same loan, the principal real property) is a residential property used as a dwelling;
- None of the borrowers is an employee, manager, statutory auditor or director of the Bank;
- None of the borrowers is a public administration or similar entity, nor a company that is directly or indirectly controlled by a public administration, nor a religious or ecclesiastic entity

The above-mentioned banks act as Servicers of their own portfolios transferred to the Vehicle Company. The SPV paid the selling banks the price of 695,618,219.29 euro within the scope of the first transaction, and 447,699,408.76 euro within the scope of the second transactions, corresponding to the total of the individual purchase prices for the receivables sold each time, as specified below:

- First transaction - Banca di Pisa e Fornacette: 232,893,077.48 euro;
- **First transaction - Banca Cambiano: 462,725,141.81 euro;**
- Second transaction - Banca di Pisa e Fornacette: 160,485,163.54 euro;
- **Second transaction - Banca Cambiano: 287.214.245.22 euro;**

The purchase of the first portfolio was financed by the SPV, in accordance with articles 1 and 5 of the Securitization Law, by issuing on 27 November 2017, the classes of Notes specified here following:

Senior – (Class A notes)
- Euro 181,656,000 Class A1-2017;
- **Euro 360,925,000 Class A2-2017**;

Junior – (Class B notes)
- Euro 54,137,000 Class B1-2017;
- **Euro 107,562,000 Class B2-2017**;

Similarly, the second portfolio of receivables sold within the scope of the Restructuring operation was financed on 06 December 2019 by issuing the following securities:

Senior – (Class A notes)
- Euro 157,866,000 Class A1-2019;
- **Euro 285,773,000 Class A2-2019**;

Junior – (Class B notes)
- Euro 3,380,000 Class B1-2019;
- **Euro 1,330,000 Class B2-2019**;

Summary table of issues:

Subscriber	Isin	Class	Tranching Senior	Rating at issue	Rating at 31.12.2020	Nominal	Amount outstanding at 31.12.2020	Amount outstanding after repayment 25.01.2021
Banca di Pisa e Fornacette	IT0005315210	Class A1 - 2017	84.00%	AA / AA-	AA / AA-	181,656,000	91,590,116	89,751,230
Banca di Pisa e Fornacette	IT0005391237	Class A1 - 2019	84.00%	**AA / AA**	**AA / AA-**	157,866,000	126,508,844	123,968,389
Banca Cambiano	**IT0005315228**	**Class A2 - 2017**	**84.00%**	**AA / AA-**	**AA / AA-**	**360,925,000**	**190,257,167**	**187,919,543**
Banca Cambiano	**IT0005391245**	**Class A2 - 2019**	**84.00%**	**AA / AA**	**AA / AA-**	**285,773,000**	**238,234,384**	**235,307,086**
		Class A Notes	**84.00%**			**986,220,000**	**646,590,512**	**636,946,248**
Banca di Pisa e Fornacette	IT0005315236	Class B1 - 2017	16.00%			54,137,000	54,137,000	54,137,000
Banca di Pisa e Fornacette	IT0005391252	Class B1 - 2019	16.00%			3,380,000	3,380,000	3,380,000
Banca Cambiano	**IT0005315244**	**Class B2 - 2017**	**16.00%**			**107,562,000**	**107,562,000**	**107,562,000**

Banca Cambiano	**IT0005391260**	**Class B2 - 2019**	**16.00%**			**1,330,000**	**1,330,000**	**1,330,000**
		Class B Notes	**16.00%**			**166,409,000**	**166,409,000**	**166,409,000**

Class “A” Notes were listed on the Irish Stock Exchange, while class “B” Notes were neither listed nor given a rating.

Senior Notes generate interest at a Euribor-linked floating interest rate at 1 month (with a 0% floor) increased by a spread equal to 0.45%. Instead, Junior Notes, that do not have a coupon, receive flows other than capital that are due based on the order of priority for each period of reference. Interest and revenue on Notes are paid monthly on the 25th of each month.

The Notes subscribed by Banca Cambiano are Class A2 (senior) and Class B2 (junior) Notes with the following characteristics:

Class A2-2017
Currency: **Euro**
Amount at issue: **360,925,000**
Rate: **Euribor 1M (floor at 0%) + spread 0.45%**
Coupon: **monthly**
Legal duration: **May 2060**
Redemption**: amortization linked to recovery of underlying receivables**
Rating at issue: **“AA” by both Fitch and S&P**
Listing: **Irish Stock Exchange**
ISIN: **IT0005315228**
Applicable law: Italian law**.**
Subscriber: **Banca Cambiano**

Class A2-2019
Currency: **Euro**
Amount at issue: **285,773,000**
Rate: **Euribor 1M (floor at 0%) + spread 0.45%**
Coupon: **monthly**
Legal duration: **May 2060**
Redemption**: amortization linked to recovery of underlying receivables**
Rating at issue: **“AA” by both Fitch and S&P**
Listing: **Irish Stock Exchange**
ISIN: **IT0005391245**
Applicable law: Italian law**.**
Subscriber: **Banca Cambiano**

Class B2-2017
Currency: **Euro**
Amount at issue: **107,562,000**
Rate: N.D.
Coupon: **monthly**
Legal duration: **May 2060**
Redemption**: amortization linked to recovery of underlying receivables**
Rating: **Unrated**
Listing: **Not listed on a stock exchange**
ISIN: **IT0005315244**
Applicable law: Italian law**.**
Subscriber: **Banca Cambiano**

Class B2-2019
Currency: **Euro**
Amount at issue: **1,330,000**
Rate: N.D.
Coupon: **monthly**
Legal duration: **May 2060**
Redemption**: amortization linked to recovery of underlying receivables**

Rating: **Unrated**
Listing: **Not listed on a stock exchange**
ISIN: **IT0005391260**
Applicable law: Italian law**.**
Subscriber: **Banca Cambiano**

The Notes are all managed in dematerialized form by Monte Titoli S.p.a.

The Junior Notes include:

- A cash reserve ("Cash Reserve Amount") equal to 1.50% of the par value of the Senior Notes issued within the scope of the Restructuring operation (7,688,433 euro for Banca Cambiano 1884 s.p.a.).

Table of Cash Reserve Amount:

Cash Reserve Amount (1.50% of par value of the Senior Note issued)		
	% of total	**€**
Banca di Pisa e Fornacette Cash Reserve Amount	34.62%	4,071,673
Banca Cambiano Cash Reserve Amount	65.38%	7,688,433
Total Reserve	**100.00%**	**11,760,106**

- The amount required to fund the reserve for expenses (Retention Amount) which, at the time of issue, corresponds to 53,216.00 for Banca Cambiano 1884 s.p.a., for a total amount amounting to 80,000.00 euro.

Table of the Retention Amount:

Retention Amount (reserve for expenses at issue)		
	% of total	**€**
Banca di Pisa e Fornacette	33.48%	26,784
Banca Cambiano	66.52%	53,216
Total	**100%**	**80,000**

- The Transaction restructuring expenses (294,727.31 pro quota for Banca Cambiano) and the expenses for the Restructuring (246,905.34 pro quota for Banca Cambiano).

The cash reserve is a guarantee for Senior Noteholders (who in this case are the same as the originators and therefore there is also an implicit guarantee in favour of Banca Cambiano, which holds the Class "A2" Notes). An amortization of the cash reserve is also provided for (based on the amount of funds available), which is gradually repaid to the respective bank based on the amortization of the respective Senior Notes, up to a set minimum level (0.8% of the par value of the Senior Notes at the moment of the Restructuring). At the moment, it is not possible to use the cash reserve in any way and it is provided that such a reserve remain available to the vehicle in the form of cash, contributing to the amount of available funds, if necessary.

Summary table of subdivision of the Cash Reserve:

Cash Reserve Amount	Reserve at issue	Reserve outstanding at 31.12.2020
Banca di Pisa e Fornacette Cash Reserve Amount	4,071,673	3,342,019
Banca Cambiano Cash Reserve Amount	7,688,433	6,525,142
Total Reserve	**11,706,106**	**9,167,862**

The Retention Amount is an expense fund available to the vehicle, used by the structure for the vehicle's management costs. At each monthly settlement, on the basis of the documented costs sustained, this expense account/fund is replenished until it is the equivalent of the pre-established total amount of 80,000.00 Euro, of which the € 53,216 mentioned above represent the share for which Banca Cambiano was responsible at the time of subscription.

The Notes are repaid on the same date as the payment of interest, in accordance with recovery of the underlying receivables, available funds and the order of priority of payments (illustrated below).
The interest period becomes effective starting from a payment date (inclusive) through the following payment date (exclusive) and interest is calculated on the basis of the actual number of days that have passed, divided by 360.

The characteristics of the class “A” notes allow them to be used for loan transactions with the European Central Bank.

Selected quantitative information at 31/12/2020

A selection of some of the principal information of a quantitative nature regarding the operation in review is set forth below. The values, unless otherwise specified, are in Euro and refer to 31 December 2020.

Securitized assets
At the close of 2020I were equivalent to their price of purchase, net of collection as at the transfer date of 31 December 2020, and of the amounts to be received for collections due in the fiscal year but not yet transferred by the Servicer, and increased by accrued interest due as at 31 December 2020.

Table of self-securitized assets – Overall values:

Description	31/12/2020
In bonis self-securitized assets	787,753,348
Receivables for interest accrued by not yet collected	86,013
Total	**787,839,361**

As at 31/12/2020 no accounts were classified “non-performing”, while those classified as “probable defaults” amounted to 371,022.46.

Assets disposed of by Banca Cambiano had the following characteristics:

Description	31/12/2020
Residual capital	521,904.845
Number of loans	6,758
Average residual life (years)	15,97
Weighted average rate	1.77%
Average amount of the loan	77,228
Current LTV	0.645823

The table below indicates the outstanding securitized assets as at 31/12/2020, classified on the basis of their residual life:

Description	Total Portfolio		Banca Cambiano Portfolio	
	Balance at 31/12/2020	Impact %	Balance at 31/12/2020	Impact %
Up to 3 months	75,997	0.01%	68,076	0.01%
From 3 to 6 months	221,697	0.03%	166,813	0.03%
From 6 to 12 months	686,693	0.09%	500,047	0.10%
From 12 to 60 months	29,491,342	3.74%	21,056,503	4.03%
Over 60 months	757,277,619	96.13%	500,113,407	95.82%
Total	**787,753,348**	**100.00%**	**521,904,845**	**100.00%**

Finally, the table below shows breakdown of the portfolio subdivided by category, as at 31 December 2020:

Description	Total Portfolio		Banca Cambiano Portfolio	
	Number of positions	Balance at 31/12/2020	Number of positions	Balance at 31/12/2020
Up to 25,000	1,414	20,330,870	1,122	16,106,385
From 25,000 to 75,000	3,946	191,027,501	2,858	136,570,130
From 75,000 to 250,000	4,247	514,740,959	2,644	320,040,979
Over 250,000	167	61,654,018	134	49,187,351
Total	**9,774**	**787,753,348**	**6,758**	**521,904,845**

Use of available funds

Description	31/12/2020
Liquidity in BNY bank account n. 6983879780 (Expenses Acc.)	85,320
Liquidity in BNY bank account n. 6983899780 (Banca Cambiano Transitory CR Acc.)	0
Liquidity in BNY bank account n. 6983919780 (BCC Pisa e Fornacette Transitory CR Acc.)	0
Liquidity in BNY bank account n. 6983989780 (General Acc.)	10,317,624
Liquidity in BNY bank account n. 6983999780 (Banca Cambiano Cash Reserve Acc.)	6,525,142
Liquidity in BNY bank account n. 6984009780 (BCC Pisa e Fornacette Cash Reserve Acc.)	3,342,019
Liquidity in BNY bank account n. 6983929780 (Payment Acc.)	125
Liquidity in BNY bank account n. 6983939780 (Banca Cambiano Suspension Acc.)	3,187,420
Liquidity in BNY bank account n. 6983949780 (BCC Pisa e Fornacette Suspension Acc.)	693,531
Receivables for transaction profit	1,528,791
Receivables from Servicers for collections to be received	409,357
Accrued interest income on securitized receivables	3,020,134
Prepaid expenses	27,491
Total	**29,136,955**

Interest on issued notes (economic competence)

Description	31/12/2020
Interest expenses on Class A Notes	3,154,554
Interest expenses in Class A Notes	12,222,452

Fees and commissions charged to the transaction

During the 2020 fiscal year, fees and commissions charged to the transaction are composed of the line items detailed in the table below:

Description	31/12/2020
Servicing fees (Banca Pisa)	133,802
Servicing fees (Banca Cambiano)	**198,827**
Computation agent fee	24,400
Sub Computation Agent fee	1,241
Listing Agent fee	3,000
Representative of the Noteholders fee	8,684
Account Bank, Cash Manager, Principal Paying Agent fees	14,500
Other	219,137
Expenses for Restructuring	0
Total	**603,591**

Profit and loss account of Banca Cambiano 1884 s.p.a.

Costs recognised in the profit and loss account at 31/12/2020

Description	Amount
Recurring costs of the SPV	406.895
Structuring costs of the SPV	0
Total costs	**406.895**

Revenue recognised in the profit and loss account at 31/12/2020

Description	Amount
Servicing commission income	198,827
Total revenue	**198,827**

Interest generated by securitized assets

As at 31 December 2020, the total portfolio of self-securitized mortgage loans generated the following interest amounts:

Description	31/12/2020
Interest on securitized receivables	15,893,416
Interest on early settlement	112,917
Other revenue	26,838
Total	**16,033,171**

INDICATION OF UNDERWRITTEN CONTRACTS

For the purpose of carrying out the self-securitization transaction and the subsequent restructuring, it was necessary to underwrite the contract agreements outlined below with various counterparties:

i. N. 4 "Transfer Agreements" (two during the structuring of the Transaction and two during the restructuring) by virtue of which the Company purchased from Banca di Pisa e Fornacette and Banca Cambiano against payment, in block and without recourse, the respective credit claim portfolios;
ii. N. 2 "Warranty and Indemnity Agreements " (one during the structuring of the Transaction and one during the restructuring) as per which each Originator Bank issued specific declarations and guarantees, granted security and committed to obligations of indemnification regarding their respective Claims and the assignment thereof to the Company;
iii. "Servicing Agreement" (modified and integrated during the restructuring stage from the ”Agreement for amendment to the Servicing Agreement), by means of which the Company appoints each Originator Bank to execute services regarding the administration, management, collection and redemption of their respective Claims (including, for the sake of clarity, any defaulted clams);
iv. "Corporate Services Agreement ", by means of which the Company appoints Cabel Holding S.p.A. as Administrator of company activities;
v. “Stichting Corporate Services Agreement”;
vi. "Back-up Servicing Agreement", by means of which the Company appoints the back-up servicers to act as substitutes for the Servicers in the event of cancellation of the appointment of Banca di Pisa e Fornacette or Banca Cambiano as Servicers as per the Servicing Agreement;
vii. "Cash Administration and Agency Agreement" between, *inter alios*, the Company, the Originator banks, the Bank of New York Mellon SA/NV – Milan Branch, Invest Banca S.p.A., KPMG Fides Servizi di Amministrazione S.p.A. and Cabel Holding S.p.A.;
viii. "***Intercreditor Agreement***" between, *inter alios*, the Company, the Originator banks, the Bank of New York Mellon SA/NV – Milan Branch, Invest Banca S.p.A., KPMG Fides Servizi di Amministrazione S.p.A. and Cabel Holding S.p.A.;
ix. "Notes Subscription Agreement" between the Company, KPMG Fides Servizi di Amministrazione S.p.A., Banca di Pisa e Fornacette, Banca Cambiano and Banca Akros S.p.A.;
x. "Quotaholder’s Agreement" between the Company, Cabel Holding S.p.A., Stichting Muitenburg and KPMG Fides Servizi di Amministrazione S.p.A.;
xi. N. 2 “Written Resolutions”, by means of which the Noteholders approved the restructuring of the transaction, authorizing the RON and the Company to take the actions required to complete the restructuring of the transaction;
xii. “Amendment Agreement”, undersigned by all the parties involved in the Transaction, in which amendments are made to the previously undersigned agreements, as required to allow restructuring the Transactions.
xiii. "Offering Circular" (comprehensive of terms of the securities).

SUBJECTS INVOLVED IN THE TRANSACTION

The subjects involved, in one way or another, in the transaction are specified herein following.

Issuer/Claim purchaser

Pontormo RMBS Srl, a limited liability company incorporated under article 3 of Law 130/99, taxation code, Vat code and registration number in the Register of Companies n. 06272000487, fully paid-in share capital equal to 10,000.00 Euro, enrolled in the Register of special purpose vehicles kept by Bank of Italy pursuant to Bank of Italy provision of 7 June 2017 con n. 35039.9, whose registered offices are in Empoli (FI), via Cherubini 99.

Originators/Servicers/Back-up

Servicers Banca di Pisa e Fornacette Credito Cooperativo S.C.p.A, a bank incorporated in Italy as a "*Società Cooperativa per azioni*", registered in the Register of Banks kept by Bank of Italy pursuant to article 13 of the Banking Consolidation Act at n. 4646, with registered offices in Lungarno Pacinotti, 8 – 56126 Pisa ("Banca di Pisa e Fornacette").

Banca Cambiano 1884 S.p.A., a bank incorporated in Italy as a company limited by shares, registered in the Register of Banks kept by Bank of Italy pursuant to article 13 of the Banking Consolidation Act at n. 5667, with offices in Viale Antonio Gramsci, 34 - 50132 Florence ("Banca Cambiano").

Agent Bank/Transaction Bank/ Paying Agent
The Bank of New York Mellon SA/NV, Milan branch, a company incorporated under the laws of Belgium, operating through its branch office in Via Mike Bongiorno, 13, 20124, Milano, Italy, ("BNYM").

Operating Bank
Invest Banca SpA, a bank incorporated in Italy as a company limited by shares, with fully paid-in share capital of Euro 15,300,000.00, registered in the Register of Companies in Florence, Italy, at n. 02586460582, registered in the Register of Banks kept by Bank of Italy pursuant to article 13 of the Banking Consolidation Act at n. 5341, with offices in Via L. Cherubini, 99, Empoli (FI), Italy ("Invest Banca").

Representative of the Noteholders/ Stichting Corporate Services Provider/ Back-up Computation Agent
KPMG Fides Servizi di Amministrazione SpA, a company limited by shares incorporated in Italy, registered with the Register of Companies in Milan, Italy, at n. 00731410155, with registered offices in Via Vittor Pisani 27, Milan (MI), Italy, operating through its Rome branch, in Via Eleonora Duse, 53 ("KPMG").

Corporate Services Provider/Computation Agent
Cabel Holding SpA, a company limited by shares incorporated in Italy, registered in the Register of Company of Florence, Italy, at n. 04492970480, with offices in Via L. Cherubini, 99, Empoli (FI), Italy ("Cabel Holding").

Quotaholders
(i) Stichting Muitenburg, a foundation incorporated under Dutch Law, with registered offices in Hoogoorddreef 15, 1101BA, Amsterdam (Netherlands), registered in the Register of Companies of Amsterdam at n. 55248780, and (ii) Cabel Holding.

Rating Agencies
Fitch Italy S.p.A. ("Fitch") and S&P Global Ratings Italy S.R.L. ("S&P").

Arranger
Banca Akros SpA, a bank incorporated in Italy as a *società per azioni*, whose registered offices are in Viale Eginardo 29, 20149 Milan, Italy, with fully paid-in share capital of 39,433,803 Euro, registered in the Register of Companies of Milan at n. 03064920154 and in the Register of banks kept by Bank of Italy at n. 5328, participant to the banking group "Banco BPM", subject to the management and coordination activities ("*attività di direzione e coordinamento*"), of Banco BPM, authorised to carry out business in Italy pursuant to the Banking Consolidation Act ("Banca Akros").

Legal Advisor
Orrick, Herrington & Sutcliffe,

ALLOCATION OF CASHFLOWS ARISING FROM THE PORTFOLIO

A summarized schedule of the al location of cash flows arising from transferred claims is provided here below. Please not the following main features:

a) The elements described in the order of payment are stepped and based on priority, in that they are settled only if there are sufficient residual funds after having paid the preceding element.
b) At each payment date, two different order of payment are prepared (identical in form and contents), one for each Originator Bank /Noteholder. In this way, the collections generated by the securitized portfolio of a Bank, deducting the respective structural costs due, remain fully with the Bank that has transferred the portfolio. Nonetheless, in cases of particular stress of the structure or of insufficient performance of the portfolios, reciprocity mechanisms between the two Banks have been set up, so that all collection generated by the portfolio of one bank may be used to integrated the available funds of the other bank that is in deficit.

Should this occur, debit/credit positions arise within the structure, which are automatically offset as soon as possible.

i. Banca di Pisa e Fornacette/Banca Cambiano *Outstanding Notes Ratio*[1] di (i) all costs, taxes and expenses required to be paid in order to preserve the corporate existence of the Issuer, (ii) all costs and taxes required to be paid in order to maintain the rating of the Notes;
ii. Banca di Pisa e Fornacette/Banca Cambiano *Outstanding Notes Ratio* of fees, costs and all other sums payable to the Representative of the Noteholders;
iii. Banca di Pisa e Fornacette/Banca Cambiano *Outstanding Notes Ratio* of the amount required to guaranty that the balance standing to the credit of the Expenses Account on such Payment Date is equal to the Retention Amount;
iv. Banca di Pisa e Fornacette/Banca Cambiano *Outstanding Notes Ratio* of fees, costs and all other sums due and payable to the (Back-up) Computation Agent, the Agent Bank, the Transaction Bank, the Paying Agent, the Corporate Services Provider and the Stichting Corporate Services Provider;
v. Servicing fees to the respective servicers;
vi. Interest due and payable on Class A1/A2 Notes;
vii. The amount required so the balance of the Cash Reserve Account is equal to the Target Cash Reserve Amount.;
viii. Reimbursement of principal due on Class A1/A2 Notes at the Payment Date;
ix. Any amounts required to increase the Available Funds of the other portfolio for an amount equal to the corresponding quota of cash reserve of the other portfolio used in previous IPD to increase the Available Funds of this portfolio;
x. In the event of a Disequilibrium Event for a portfolio, the Principal Amortisation Reserve Amount to be credited to the relative Principal Amortisation Reserve Account in relation to the portfolio for which the Disequilibrium Event di not occur;
xi. In the event of a Detrimental Event, the amount of the Reserve Amount to be credited to the Reserve Account;
xii. (i) Any amount due from the SPV to the Originators as repayment for an indemnity paid by the Originator to the SPV within the scope of the warranty and indemnity agreement (ii) any amounts due from the SPV to the servicer within the scope of the servicing agreement that have not been paid pursuant to the previous points;
xiii. Only on the first payment date, to pay Originators the respective interest;
xiv. Pay (a) to each Originator every amount due referring to adjustment in the purchase price in relation to the claims not listed in the transfer agreement but that respected the criteria listed in the same and every amount due to the SPV as per the warranty and indemnity agreement (other than those under point 12 above) and (b) to the relative subscriber of Class B or the relative Originator any amount due by the SPV as per the subscription agreement;
xv. Any amount due to the respective Originator as repayment for insurance premiums and relative expenses paid in advance under the transfer agreement;
xvi. Interest due and payable on Class B1/B2 Notes;
xvii. Starting from the Payment Date on which Class A Notes are fully redeemed, repayment of principal on Class B1/B2 Notes;
xviii. After full and final settlement of all payments due under this Order of Priority and the full redemption of all the notes, payment of any surplus on the accounts of vehicle in favour of Banca di Pisa e Fornacette/Banca Cambiano.

E. Sale transactions

A. Financial assets sold but not fully derecognised

Qualitative and quantitative information

E.1 Sold financial assets recognised in full and connected financial liabilities: balance sheet values

[1] That is, the fraction of notes competence of a bank with respect to the total outstanding notes.

Technical forms/Portfolio	Sold financial assets recognised in full				Connected financial liabilities		
	Book value	of which: subject of securitization transactions	of which: subject to sale contracts with agreement to repurchase	of which impaired	Book value	of which: subject of securitization transactions	of which: subject of sales contracts with agreement to repurchase
A. Financial assets held for trading							
1. Debt securities	0	0	0	X	0	0	0
2. Capital securities	0	0	0	X	0	0	0
3. Loans	0	0	0	X	0	0	0
4. Derivatives	0	0	0	X	0	0	0
B. Financial assets obligatorily measured at fair value							
1. Debt securities	0	0	0	0	0	0	0
2. Capital securities	0	0	0	X	0	0	0
3. Loans	0	0	0	0	0	0	0
C. Financial assets measured at fair value							
1. Debt securities	0	0	0	0	0	0	0
2. Loans	0	0	0	0	0	0	0
D. Financial assets measured at fair value with impact on total profits							
1. Debt securities	0	0	0	0	0	0	0
2. Capital securities	0	0	0	X	0	0	0
3. Loans	0	0	0	0	0	0	0
C. Financial assets measured at amortized cost							
1. Debt securities	12,700	0	12,700	0	13,004	0	13,004
2. Loans	0	0	0	0	0	0	0
Total 31/12/2020	**12,700**	**0**	**12,700**	**0**	**13,004**	**0**	**13,004**
Total 31/12/2019	**333,148**	**0**	**333,005**	**0**	**175,748**	**0**	**175,748**

E.3 Sales transactions with liabilities that have recourse exclusively on the transferred assets not fully derecognised: fair value

Technical forms/Portfolio	Recognised in full	Partially recognised	Total	
			31/12/2020	31/12/2019
A. Financial assets held for trading				
1. Debt securities	0	0	0	0
2. Capital securities	0	0	0	0
3. Loans	0	0	0	0
4. Derivatives	0	0	0	0
B. Financial assets obligatorily measured at fair value				
1. Debt securities	0	0	0	0
2. Capital securities	0	0	0	0
3. Loans	0	0	0	0
C. Financial assets measured at fair value				
1. Debt securities	0	0	0	0
2. Loans	0	0	0	0
D. Financial assets measured at fair value with impact on total profits				
1. Debt securities	0	0	0	176,237
2. Capital securities	0	0	0	0
3. Loans	0	0	0	0
C. Financial assets measured at amortized cost (fair value)				
1. Debt securities	12,700	0	12,700	158,337
2. Loans	0	0	0	0
Total financial assets	12,700	0	12,700	334,574
Total associated financial liabilities	13,004	0	X	X
Net value at 31/12/2020	**-304**	**0**	**-304**	**X**
Net value at 31/12/2019	**1,012**	**0**	**X**	**1,012**

As regards receivables from customers and payables to customers, the "fair value" used in the table is equivalent to the amortized cost.

Section 2 – Market risks

2.1 Interest rate risk and price risk – regulatory trading portfolio

For the purpose of reporting as regards this section, only financial instruments (both assets and liabilities) included in the “regulatory trading portfolio” were taken into consideration, as required by regulations regarding regulatory information on market risks (cfr. Circular n. 286 of 17 December 2013 issued by Bank of Italy).

Qualitative information

A. General information

The primary activity of the Bank is trading financial instruments exposed to interest rate risk.
The strategy underlying its trading activity corresponds both to treasury needs and to the objective of enhancing the risk/yield profile of portfolio investments in terms of the interest rate risk and the counterparty’s credit risk.
Trading regards exclusively operations involving bonds.

Effects deriving from the Covid-19 pandemic

As regards market risk, no effects directly attributable to the pandemic crisis have been observed; indeed, no changes have been made to objectives and strategies relating to treasury portfolios with respect to the evolution and duration of the health emergency, which remains principally invested in government bond, nor have the measurement and control systems for market risks been varied.

B. Management procedures and measurement methods for interest rate risk and price risk

The Finance Area Regulations establish both operating limits (both in terms of portfolio value as well as the breakdown by type of security) and limits for exposure to interest rate risk (in terms of financial duration).

In the meeting held on 16 January 2020, the Board of Directors approved the Policy on interest rate risk, accompanied by the attached methodology document.

Quantitative information

D.2.1.1 Regulatory trading portfolio: distribution by residual duration (re-pricing date) of cash financial assets and liabilities and financial derivatives – All currencies

Type/Residual duration	On demand	Up to 3 months	Beyond 3 months through 6 months	Beyond 6 months through 1 year	Beyond 1 year through 5 years	Beyond 5 years through 10 years	Beyond 10 years	Indefinite duration	Total
1. Cash assets									
1.1 Debt securities									
- with early redemption option	0	0	0	0	0	0	0	0	**0**
- other	0	0	0	0	0	0	0	0	**0**
1.2 Other assets	0	0	0	0	0	0	0	0	**0**
2. Cash liabilities									
2.1 Repurchase agreements on debt	0	0	0	0	0	0	0	0	**0**
2.2 Other liabilities	0	0	0	0	0	0	0	0	**0**
3. Financial derivatives									
3.1 With underlying security									
- Options									
+ long-term positions	0	0	0	0	0	0	0	0	**0**
+ short-term positions	0	0	0	0	0	0	0	0	**0**
- Other derivatives									
+ long-term positions	0	300	0	0	0	0	0	0	**300**
+ short-term positions	0	13,115	0	0	0	0	0	0	**13,115**
3.2 Without underlying security									
- Options									
+ long-term positions	0	0	0	0	0	0	0	0	**0**
+ short-term positions	0	0	0	0	0	0	0	0	**0**
- Other derivatives									

Type/Residual duration	On demand	Up to 3 months	Beyond 3 months through 6 months	Beyond 6 months through 1 year	Beyond 1 year through 5 years	Beyond 5 years through 10 years	Beyond 10 years	Indefinite duration	Total
+ long-term positions	0	33,000	0	0	8	0	0	0	**33,008**
+ short-term positions	0	32,285	0	0	8	0	0	0	**32,293**

2.2 Interest rate risk and price risk – bank portfolio

Qualitative information

Interest rate risk is created by an imbalance between the due dates (re-pricing) of asset and liability items belonging to the bank portfolio. This latter is composed of all the financial instruments, assets and liabilities, not included in the trading portfolio in accordance with current regulatory provisions.
General Management is responsible for setting forth the guidelines for banking book management, in compliance with the strategic policies defined by the Board of Directors, and monitoring banking book management trends.
The Risk Management office proposes possible banking book interest rate risk management and mitigation measures to General Management.
Interest rate risk mitigation is pursued by means of integrated management of bank assets and liabilities and is aimed at stabilizing interest income and safeguarding the economic value of the bank portfolio.
In particular, management of the securities portfolio is based principally on maintaining the Banks liquidity reserves.
The main sources of interest rate risk consist in fixed rate items. Assets are principally represented by securities in the AFS sector (BTP) and mortgage loans.
The interest rate risk inherent in the bank portfolio is monitored by the Bank on a quarterly basis.

2.2.1 Bank portfolio: distribution by residual duration (by re-pricing date) of financial assets and liabilities - All currencies

Type/Residual duration	On demand	Up to 3 months	Beyond 3 months through 6 months	Beyond 6 months through 1 year	Beyond 1 year through 5 years	Beyond 5 years through 10 years	Beyond 10 years	Indefinite duration	Total
1. Cash assets									
1.1 Debt securities									
- with early redemption option	0	0	0	0	0	0	0	0	**0**
- other	927	28,519	52,827	166,990	103,162	75,798	42,558	0	**470,781**
1.2 Loans to banks	78,013	244,123	0	25,015	19,002	0	0	0	**366,153**
1.3 Loans to customers									
- c/c	485,609	441	3,441	11,341	11,936	1	0	0	**512,769**
- Other loans									
- with early redemption option	51,817	52,835	10,045	0	0	0	0	0	**114,697**
- other	1,152,305	157,650	162,822	139,384	405,058	98,283	129,505	0	**2,245,008**
2. Cash liabilities									
2.1 Payables due to customers									
- c/c	2,320,082	33,051	43,411	64,349	161,865	0	0	0	**2,622,758**
- other liabilities									
- with early redemption option	0	0	0	0	0	0	0	0	**0**
- other	48,846	179	13,572	1,124	8,648	4,890	299	0	**77,558**
2.2 Payables to banks									
- c/c	68,334	0	0	0	0	0	0	0	**68,334**
- other liabilities	791,335	0	0	0	0	0	0	0	**791,335**
2.3 Debt securities									
- with early redemption option	0	0	0	0	0	0	0	0	**0**
- other	91	0	18	9,682	122,730	22,605	1,508	4	**156,638**
2.4 Other liabilities									
- with early redemption option	0	0	0	0	0	0	0	0	**0**
- other	0	0	0	0	0	0	0	0	**0**
3. Financial derivatives									
3.1 With underlying security									
- Options									

Type/Residual duration	On demand	Up to 3 months	Beyond 3 months through 6 months	Beyond 6 months through 1 year	Beyond 1 year through 5 years	Beyond 5 years through 10 years	Beyond 10 years	Indefinite duration	Total
+ long-term positions	0	0	0	0	0	0	0	0	**0**
+ short-term positions	0	0	0	0	0	0	0	0	**0**
- Other derivatives									
+ long-term positions	0	0	0	0	0	0	0	0	**0**
+ short-term positions	0	0	0	0	0	0	0	0	**0**
3.2 Without underlying security									
- Options									
+ long-term positions	0	0	0	0	0	0	0	0	**0**
+ short-term positions	0	0	0	0	0	0	0	0	**0**
- Other derivatives									
+ long-term positions	0	44.605	20.000	0	0	0	0	0	**64.605**
+ short-term positions	0	69.452	99	1.224	20.000	0	0	0	**90.775**
4. Other off balance sheet transactions									
+ long-term positions	5.080	1.632	1.376	4.859	13.028	0	3.663	0	**29.638**
+ short-term positions	29.691	0	0	0	0	0	0	0	**29.691**

Notes:
Long-term positions and short-term positions in the line item “other derivatives” in point 3.2 are expressed in notional values.

2.3 Exchange rate risk

Qualitative information

A. General information, management procedures and methods to measure the exchange rate risk

The exchange rate risk represents the risk of suffering losses on operations in foreign currency, due to the effect of negative variations to foreign currencies.
This type of transaction constitutes a profit component; the Bank’s policy is to continuously maintain a foreign currency position that is substantially neutral, in order to minimize the exchange rate risk. The Bank is marginally exposed to the exchange rate risk due to assets used to serve customers.
Exposure to exchange rate risk is measured using a methodology that faithfully follows what is provided by the Supervisory Regulations.
Measurement is based on the calculation of the “net position in foreign exchanges”, i.e. the balance of all assets and liabilities (in financial statements and “off balance sheet”) related to each foreign currency, including operations in Euro indexed to the exchange rate trend of foreign currency.
The organisational structure provides that the management of the exchange rate risk is delegated to the Foreign Office for assets used to service customers and to the Securities Treasury Office for financial instruments, whereas the measurement of exposure is attributed to the Risk Management Office based on the data provided by the Management Control Office.

B. Hedging of exchange rate risk

Considering the very limited exposure to exchange rate risk, no particular hedging operations have been implemented. In fact, cash exposures and foreign exchange transactions and forward foreign exchange transactions with customers are balanced by opposite transactions with banks.
Furthermore, limits are set by corporate regulations on unmatched foreign currency positions.

Quantitative information

2.3.1 Distribution by denominated currency of assets, liabilities and derivatives

Line items	Currencies					
	USA dollars	British pound sterling	Japanese yen	Canadian dollar	Swiss franc	Other currencies
A. Financial assets						
A.1 Debt securities	0	0	0	0	0	0
A.2 Capital securities	0	0	0	0	0	0
A.3 Loans a banks	522	56	846	70	43	151

Line items	Currencies					
	USA dollars	British pound sterling	Japanese yen	Canadian dollar	Swiss franc	Other currencies
A.4 Loans to customers	72,901	0	0	0	0	0
A.5 Other financial assets	0	0	0	0	0	0
B. Other assets	211	165	84	20	35	76
C. Financial liabilities						
C.1 Payables to banks	50,753	1,218	0	0	0	0
C.2 Payables due to customers	8,674	69	194	1,821	0	102
C.3 Debt securities	0	0	0	0	0	0
C.4 Other Financial liabilities	0	0	0	0	0	0
D. Other liabilities	0	0	0	0	0	0
E. Financial derivatives						
- Options						
+ long-term positions	0	0	0	0	0	0
+ short-term positions	0	0	0	0	0	0
- Other derivatives						
+ long-term positions	51,284	24,693	1,569	1,756	814	0
+ short-term positions	62,844	24,693	2,409	0	818	0
Total assets	**124,917**	**24,915**	**2,499**	**1,846**	**892**	**227**
Total liabilities	**122,272**	**25,981**	**2,603**	**1,821**	**818**	**102**
Imbalance (+/-)	**2,645**	**-1,066**	**-104**	**25**	**74**	**126**

Section 3 - Derivative instruments and hedging policies

3.1 Derivative instruments from trading

A. Financial derivatives

3.1.A.1 Financial derivatives from trading: notional end period values

Underlying assets / Type of derivative	Total 31/12/2020				Total 31/12/2019			
	Over the counter			Organized markets	Over the counter			Organized markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Debt securities and interest rates								
a) Options	0	40,000	0	0	0	40,000	0	0
b) Swap	0	0	0	0	0	0	0	0
c) Forward	0	0	0	0	0	0	0	0
d) Futures	0	0	0	0	0	0	0	0
e) Other	0	0	0	0	0	0	0	0
2. Capital securities and equity indexes								
a) Options	0	0	0	0	0	0	0	0
b) Swap	0	0	0	0	0	0	0	0
c) Forward	0	0	0	0	0	0	0	0
d) Futures	0	0	0	0	0	0	0	0
e) Other	0	0	0	0	0	0	0	0
3. Currency and gold								
a) Options	0	0	0	0	0	0	0	0
b) Swap	0	0	0	0	0	0	0	0
c) Forward	0	0	103,057	0	0	0	22,086	0
d) Futures	0	0	0	0	0	0	0	0
e) Other	0	0	0	0	0	0	0	0
4. Goods	0	0	0	0	0	0	0	0
5. Other underlying assets	0	0	0	0	0	0	0	0
Total	**0**	**40,000**	**103,057**	**0**	**0**	**40,000**	**22,086**	**0**
Average values	**0**	**40,000**	**62,571**	**0**	**0**	**40,000**	**15,082**	**0**

3.1.A.2 Financial derivatives from trading: positive and negative gross fair value – subdivided by product

Underlying assets / Type of derivative	Total 31/12/2020				Total 31/12/2019			
	Over the counter			Organized markets	Over the counter			Organized markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Positive fair value								
a) Options	0	0	0	0	0	0	0	0
b) Interest rate swap	0	8	0	0	0	13	0	0
c) Cross currency swap	0	0	0	0	0	0	0	0
d) Equity swap	0	0	0	0	0	0	0	0
e) Forward	0	0	807	0	0	0	64	0
f) Futures	0	0	0	0	0	0	0	0
g) Other	0	0	0	0	0	0	0	0
Total	**0**	**8**	**807**	**0**	**0**	**13**	**64**	**0**
2. Negative fair value								
a) Options	0	0	0	0	0	0	0	0
b) Interest rate swap	0	0	0	0	0	0	0	0
c) Cross currency swap	0	0	0	0	0	0	0	0
d) Equity swap	0	0	0	0	0	0	0	0
e) Forward	0	0	641	0	0	0	313	0
f) Futures	0	0	0	0	0	0	0	0
g) Other	0	0	0	0	0	0	0	0
Total	**0**	**0**	**641**	**0**	**0**	**0**	**313**	**0**

3.1.A.3 Financial derivatives from OTC trading: notional values, positive and negative gross fair value by counterparties

Contracts that are not a part of netting agreements	Central counterparties	Banks	Other financial companies	Other parties
Contracts that are not a part of netting agreements				
1) Debt securities and interest rates				
- notional value	X	0	0	0
- positive fair value	X	0	0	0
- negative fair value	X	0	0	0
2) Capital securities and equity indexes				
- notional value	X	0	0	0
- positive fair value	X	0	0	0
- negative fair value	X	0	0	0
3) Currency and gold				
- notional value	X	99,926	0	3,131
- positive fair value	X	751	0	56
- negative fair value	X	640	0	1
4) Goods				
- notional value	X	0	0	0
- positive fair value	X	0	0	0
- negative fair value	X	0	0	0
5) Other				
- notional value	X	0	0	0
- positive fair value	X	0	0	0
- negative fair value	X	0	0	0
Contracts part of netting agreements				
1) Debt securities and interest rates				
- notional value	0	40,000	0	0
- positive fair value	0	8	0	0
- negative fair value	0	0	0	0
2) Capital securities and equity indexes				
- notional value	0	0	0	0
- positive fair value	0	0	0	0
- negative fair value	0	0	0	0
3) Currency and gold				
- notional value	0	0	0	0
- positive fair value	0	0	0	0

Contracts that are not a part of netting agreements	Central counterparties	Banks	Other financial companies	Other parties
- negative fair value	0	0	0	0
4) Goods				
- notional value	0	0	0	0
- positive fair value	0	0	0	0
- negative fair value	0	0	0	0
5) Other				
- notional value	0	0	0	0
- positive fair value	0	0	0	0
- negative fair value	0	0	0	0

3.1.A.4 Residual life of financial derivatives from OTC trading: notional values

Underlying assets/Residual life	Up to 1 year	Beyond 1 year and up to 5 years	Beyond 5 years	Total 31/12/2020
A.1 Financial derivatives on debt securities and interest rates	0	40,000	0	40,000
A.2 Financial derivatives on capital securities and equity indexes	0	0	0	0
A.3 Financial derivatives on exchange rates and gold	103,057	0	0	103,057
A.4 Financial derivatives on goods	0	0	0	0
A.5 Other financial derivatives	0	0	0	0
Total 31/12/2020	**103,057**	**40,000**	**0**	**143,057**
Total 31/12/2019	**22,086**	**40,000**	**0**	**62,086**

3.2 Recognised hedges

A. Hedging of fair value

3.2.A.1 Hedge financial derivatives: notional end period values

Underlying assets / Type of derivative	Total 31/12/2020				Total 31/12/2019			
	Over the counter			Organized markets	Over the counter			Organized markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Debt securities and interest rates								
a) Options	0	0	0	0	0	0	0	0
b) Swap	0	20,000	0	0	0	25,000	0	0
c) Forward	0	0	0	0	0	0	0	0
d) Futures	0	0	0	0	0	0	0	0
e) Other	0	0	0	0	0	0	0	0
2. Capital securities and equity indexes								
a) Options	0	0	0	0	0	0	0	0
b) Swap	0	0	0	0	0	0	0	0
c) Forward	0	0	0	0	0	0	0	0
d) Futures	0	0	0	0	0	0	0	0
e) Other	0	0	0	0	0	0	0	0
3. Currency and gold								
a) Options	0	0	0	0	0	0	0	0
b) Swap	0	0	0	0	0	0	0	0
c) Forward	0	0	0	0	0	0	0	0
d) Futures	0	0	0	0	0	0	0	0
e) Other	0	0	0	0	0	0	0	0
4. Goods	0	0	0	0	0	0	0	0
5. Other	0	0	0	0	0	0	0	0
Total	**0**	**20,000**	**0**	**0**	**0**	**25,000**	**0**	**0**

Qualitative information

On first time application of the IFRS9 accounting principle, Banca Cambiano exercised the option provided for by the principle to continue to fully apply the regulations of IAS 39 to all types of hedges.
Therefore, the provisions of IFRS 9 regarding hedges are not applied.

A. Hedging of fair value

The Bank's hedging activity is aimed at protecting the bank portfolio from variations of fair value on deposits and lending caused by fluctuations of the interest rate curve (interest rate risk). The Bank adopts specific hedges (micro fair value hedge) and has no generic hedges (macro fair value hedge). The micro fair value hedges include two hedging operations for bond issues and securities.
The type of derivative used is plain interest rate swaps (IRS) with third parties.
The derivatives are not listed on regulated markets, but traded on the over-the-counter circuit.

B. Hedging of cash flows.

The Bank has no current operations for hedging of cash flows.

C. Hedging of foreign investments

The Bank has no current operations for hedging of foreign investments.

D. Hedging instruments

In order for a transaction to be recognised as a "hedge", it is necessary that the following conditions be satisfied: a) the hedge relationship must be formally documented; b) the hedge must be effective from the time it initiates and prospectively for its entire duration. Effectiveness is controlled by means of specific instruments and is considered to exist when variations of fair value of the hedged financial instrument almost entirely sterilize the variations of risk of the hedged instrument. A hedge is considered to be highly effective between a range of 80% through 125%. An effectiveness test is conducted at each close of the financial statements or at the time of any six-month interim financial statements. If the effectiveness test indicates an insufficient hedge and the misalignment is considered not to be temporary, the hedged instrument is allocated to the trading portfolio. Hedges are measured according to the principle of "negotiation date".
The hedge instrument (IRS) is measured at fair value.
The fair value of hedges listed in active markets is taken from the quotations at the close of the markets (fair value hierarchy - level 1), whereas instruments not listed in an active market (over the counter) are measured discounting future cash flows on the basis of the yield curve (fair value hierarchy - level 3). Since they are unlisted, the latter method is used to measure the fair value of all of the Bank's hedges. The hedged accounts are also measured at fair value, limited to variations of value produced by the risks that are the object of the hedge, thus "sterilizing" the risk components that are not directly related to such hedge.

E. Hedged assets

The hedged asset is an asset security.

E.1 Asset securities

This is a micro fair value hedge type of operation that uses an interest rate swap (IRS) as a hedging instrument for Treasury bonds with maturity at 15/04/2022 and ISIN code IT0005086886. The interest rate risk is hedged for the entire duration of the security.
The derivative entails that the Bank receives, six-monthly and on the notional value of € 20,000,000 Euribor 6M+0.47% against payment of a fixed 1.35% interest rate.

IBOR Reform

Following the decision by the Financial Stability Board to substitute IBOR with "alternative interest rates", the European Union introduced the EU 2016/1011 Benchmarks Regulation (BMR), published in 2016 and coming into effect as of January 2018, that defines precise rules for benchmark administrators, contributors and users to guaranty the transparency and representativity of indexes with respect to the markets of reference, therefore imposing that measurements be based, as far as possible on actual transactions.

Subsequent to the BMR, European institutions declared the following as critical elements:

- The EONIA rate which, starting 2 October 2019, is based on fixing the euro reference rate (identified by ECB as the alternative rate) and that will fall into disuse on 31 December 2021;

- The EURIBOR rate which was subjected to a methodology revision during 2019 (so-called hybrid method), that will guaranty meeting the requirements of the regulation;
- As regards the benchmark rates for other currencies, among the most important ones, the following were also revised: EURIBOR, USD LIBOR, GBP LIBOR, EUR LIBOR, CHF LIBOR, JPY LIBOR, JPY TIBOR, EUROYEN TIBOR, CAD CDOR, etc.

The only hedging transaction at 31/12/2020 is a micro fair value hedge type of operation that uses an interest rate swap (IRS) as a hedging instrument for Treasury bonds with maturity at 15/04/2022 and ISIN code IT0005086886. The interest rate risk is hedged for the entire duration of the security.

For the derivative, the Bank receives on a six month basis and on the notional value of € 20,000,000 Euribor 6M+0.47% against the payment of a fixed 1.35% rate. The hedging derivative provides a good proxy of the measure of interest rate risk exposure that the Bank manages by means of the same hedges.

Please note that the hedge in question is not affected by the IBOR Reform in terms of the "uncertainty" of future cash flows with resulting difficulty in carrying out prospective solidity tests for the relations in question.

3.2.A.2 Hedging financial derivatives: positive and negative gross fair value – subdivided by product

Underlying assets / Type of derivative	Total 31/12/2020				Total 31/12/2019			
	Over the counter			Organized markets	Over the counter			Organized markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Positive fair value								
a) Options	0	0	0	0	0	0	0	0
b) Interest rate swap	0	0	0	0	0	0	0	0
c) Cross currency swap	0	0	0	0	0	0	0	0
d) Equity swap	0	0	0	0	0	0	0	0
e) Forward	0	0	0	0	0	0	0	0
f) Futures	0	0	0	0	0	0	0	0
g) Other	0	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0	0
2. Negative fair value								
a) Options	0	0	0	0	0	0	0	0
b) Interest rate swap	0	419	0	0	0	614	0	0
c) Cross currency swap	0	0	0	0	0	0	0	0
d) Equity swap	0	0	0	0	0	0	0	0
e) Forward	0	0	0	0	0	0	0	0
f) Futures	0	0	0	0	0	0	0	0
g) Other	0	0	0	0	0	0	0	0
Total	**0**	**419**	**0**	**0**	**0**	**614**	**0**	**0**

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

Contracts that are not a part of netting agreements	Central counterparties	Banks	Other financial companies	Other parties
Contracts that are not a part of netting agreements				
1) Debt securities and interest rates				
- notional value	X	20,000	0	0
- positive fair value	X	0	0	0
- negative fair value	X	419	0	0
2) Capital securities and equity indexes				
- notional value	X	0	0	0
- positive fair value	X	0	0	0
- negative fair value	X	0	0	0
3) Currency and gold				
- notional value	X	0	0	0
- positive fair value	X	0	0	0
- negative fair value	X	0	0	0

Contracts that are not a part of netting agreements	Central counterparties	Banks	Other financial companies	Other parties
4) Goods				
- notional value	X	0	0	0
- positive fair value	X	0	0	0
- negative fair value	X	0	0	0
5) Other				
- notional value	X	0	0	0
- positive fair value	X	0	0	0
- negative fair value	X	0	0	0
Contracts falling under netting agreements				
1) Debt securities and interest rates				
- notional value	0	0	0	0
- positive fair value	0	0	0	0
- negative fair value	0	0	0	0
2) Capital securities and equity indexes				
- notional value	0	0	0	0
- positive fair value	0	0	0	0
- negative fair value	0	0	0	0
3) Currency and gold				
- notional value	0	0	0	0
- positive fair value	0	0	0	0
- negative fair value	0	0	0	0
4) Goods				
- notional value	0	0	0	0
- positive fair value	0	0	0	0
- negative fair value	0	0	0	0
5) Other				
- notional value	0	0	0	0
- positive fair value	0	0	0	0
- negative fair value	0	0	0	0

3.2.A.4 Residual life of OTC hedging financial derivatives: notional values

Underlying assets/Residual life	Up to 1 year	Beyond 1 year and up to 5 years	Beyond 5 years	Total 31/12/2020
A.1 Financial derivatives on debt securities and interest rates	0	20,000	0	**20,000**
A.2 Financial derivatives on capital securities and equity indexes	0	0	0	**0**
A.3 Financial derivatives on exchange rates and gold	0	0	0	**0**
A.4 Financial derivatives on other values	0	0	0	**0**
Total 31/12/2020	**0**	**20,000**	**0**	**20,000**
Total 31/12/2019	**5,000**	**20,000**	**0**	**25,000**

D. Hedged instruments

3.2.D.1 Hedging of fair value

Description	Specific hedges: book value	Specific hedges- net positions: book value of assets or liabilities (before netting)	Specific hedges			General hedges: Book value
			Accumulated adjustments of fair value of the hedged instrument	Termination of hedging: accumulated residual adjustments of fair value	Variations of the value used to measure the inefficiency of hedging	
A. Assets						
1. Financial assets measured at fair value with impact on total profits – hedging of:						
1.1 Debt securities and interest rates	20,524	20,524	-362	0	0	X
1.2 Capital securities and equity indexes	0	0	0	0	0	X
1.3 Currency and gold	0	0	0	0	0	X
1.4 Receivables	0	0	0	0	0	X
1.5 Other	0	0	0	0	0	X
2. Financial assets measured at amortized cost – hedging of:	0	0	0	0	0	0
1.1 Debt securities and interest rates	0	0	0	0	0	X

Description	Specific hedges: book value	Specific hedges-net positions: book value of assets or liabilities (before netting)	Specific hedges			General hedges: Book value
			Accumulated adjustments of fair value of the hedged instrument	Termination of hedging: accumulated residual adjustments of fair value	Variations of the value used to measure the inefficiency of hedging	
1.2 Capital securities and equity indexes	0	0	0	0	0	X
1.3 Currency and gold	0	0	0	0	0	X
1.4 Receivables	0	0	0	0	0	X
1.5 Other	0	0	0	0	0	X
Total 31/12/2020	**20,524**	**20,524**	**-362**	**0**	**0**	**0**
Total 31/12/2019	**20,637**	**20,637**	**-529**	**0**	**0**	**0**
B. Liabilities						
1. Financial liabilities valued at amortized cost – hedging of:	0	0	0	0	0	0
1.1 Debt securities and interest rates	0	0	0	0	0	0
1.2 Currency and gold	0	0	0	0	0	0
1.3 Other	0	0	0	0	0	0
Total 31/12/2020	**0**	**0**	**0**	**0**	**0**	**0**
Total 31/12/2019	**4,890**	**4,890**	**-34**	**0**	**0**	**0**

3.3 Other information on trading and hedging derivative instruments

A. Financial and credit derivatives

3.3.A.1 OTC financial and credit derivatives: net fair value by counterparties

Contracts that are not a part of netting agreements	Central counterparties	Banks	Other financial companies	Other parties
A. Financial derivatives				
1) Debt securities and interest rates				
- notional value	0	60,000	0	0
- net positive fair value	0	0	0	0
- net negative fair value	0	410	0	0
2) Capital securities and equity indexes				
- notional value	0	0	0	0
- net positive fair value	0	0	0	0
- net negative fair value	0	0	0	0
3) Currency and gold				
- notional value	0	99,926	0	3,131
- net positive fair value	0	751	0	56
- net negative fair value	0	640	0	1
4) Goods				
- notional value	0	0	0	0
- net positive fair value	0	0	0	0
- net negative fair value	0	0	0	0
5) Other				
- notional value	0	0	0	0
- net positive fair value	0	0	0	0
- net negative fair value	0	0	0	0
B. Credit derivatives				
1) Purchase hedging				
- notional value	0	0	0	0
- net positive fair value	0	0	0	0
- net negative fair value	0	0	0	0
2) Sale hedging				
- notional value	0	0	0	0
- net positive fair value	0	0	0	0
- net negative fair value	0	0	0	0

Section 4 – Liquidity risk

A. General information, management procedures and methods to measure liquidity risk

Liquidity risk is managed principally by the Treasury and Own Portfolio Office, the Management Control Office and Risk Management, with the aim of verifying the Bank's capacity to efficiently face liquidity requirements and avoid situations of excessive and/or insufficient liquidity, with the consequent need to invest and/or find funds at unfavourable rates with respect to market rates.

The overall model implemented by the Bank to manage and monitor liquidity risk is divided into three separate sectors, according to the perimeter of reference, the time span and the frequency analysis:

-management of intraday liquidity, that is management of daily adjustment of liabilities and receivables on various settlement, payment and compensations systems in which the Bank participates;

- management of operating funds, that is the management of decidedly unstable events that impact the Bank's liquidity standing, principally with the objective of maintaining the Bank's capacity to meet ordinary and extraordinary payment obligations, in a cost-effective manner;

- management of structural liquidity, that is, management of all the bank portfolio events that impact the Bank's overall liquidity position on the medium-term, aiming primarily to maintain an appropriate balance between assets and liabilities on the medium and long-term.

Significant support for liquidity risk management is provided by the monitoring activities carried out by the Risk Management Office, based on a management model that measures the effect of investment/financing operations based on the distribution by transaction expiry. Operations are measured using Asset and Liability Management methods, which allow evaluating and assessing both Bank cash flow requirements/surplus generated by unbalances between cash inflow and cash outflow, and the structural balance deriving from the correct composition by maturity of cash sources and lending.

In line with domestic and International best practices and in compliance with vigilance provisions, the model adopted by the Bank to manage operating liquidity is based on the "Maturity Mismatch" approach, which presupposes the construction of a "maturity ladder" (a timeframe of maturity dates) and the allocation of sure and estimated flows over the various periods of the ladder, in order to calculate the cumulative gap for each maturity bracket.

Within the scope of its liquidity policy and in accordance with the tolerance threshold decided by the Board of Directors, the Bank has defined a series of alerts to manage both operating liquidity and structural liquidity.

As regards operating liquidity management, the limits are defined in terms of the absolute cumulative gap values on the various maturities.

The Bank continuously monitors the Counterbalancing Capacity (CBC) value, intended as the availability of assets that may be reimbursed, sold or used in refinancing transactions with the interbanking system and that therefore allow generating cash funds rapidly and efficiently.

The limit adopted by the Bank to monitor structural liquidity is instead defined in terms of the ratio between liabilities and assets with maturities in excess of one year. The aim of using this limit is that of guaranteeing a structural liquidity profile that is consistent with the strategy of financing medium/long-term assets with liabilities that have the same duration.

The Bank has also prepared and implemented a "Liquidity Risk Management and Governance Manual" and a "Contingency Liquidity Plan", which are instruments used to mitigate liquidity risks.

The document details the persons and structures responsible for implementing extraordinary funding policies, as required, as well as any actions to be taken to remedy the extraordinary event situation, in compliance with the regulatory requirements provided for by vigilance regulations.

In the Contingency Liquidity Plan, the Bank has defined a series of risk indicators that are constantly monitored in order to anticipate possible stress or liquidity crisis situations.

The Bank has further implemented the Liquidity Coverage Ratio (LCR) indicator, in accordance with Commission Delegated Regulation (EU) n. 575 dated 26 June 2013 of the European Parliament (CRR Regulations), as well as the additional indications and recommendations of the European Banking Authority on this subject.

As regards the Net Stable Funding Ratio (NSFR), the Bank has implemented a management-type measurement, according to the provisions of the Basel 3 Framework.

During 2017, the Bank extinguished the old "Pontormo RMBS 2012" self-securitization transaction and set up a new self-securitization transactions called "Pontormo RMBS 2017". This transaction was perfected with the intent of obtaining securities that could be lodged with the European Central Bank for refinancing operations. The operation was finalized with the sale of a portfolio of performing real estate mortgage loans by the Bank, and undersigning by the same Bank of the Senior and Junior Notes issued by the special purpose vehicle.

Starting from the reference date of 9 July 2019, and on a weekly basis, the Risk Management office will transmit a special template to the Supervisory Authority for the purpose of monitoring liquidity.

For the sake of completeness of the information provided, details are provided in the respective section.

Effects deriving from the Covid-19 pandemic

As a result of the effects of the Covid-19 pandemic, the Bank implemented a wide range of measures to strengthen its own liquidity profile and face the potential impact of the crisis generated by the resulting loan requests by bank customers and the volatility of the value of assets that could be liquidated following unfavourable market conditions; such measures involved both operational aspects (principally by increasing funding operations with the European Central Bank and broadening potential collection sources to be used in case of need), and measurement and monitoring of the risk profile (principally by increasing the frequency of information flows). It did not become necessary to act on significant internal thresholds (risk appetite, risk limits and risk tolerance) regarding liquidity risk indicators, as, for the duration of the crisis, the Bank's liquidity profile remained strong, on values greater than both the minimum values defined internally and the regulatory thresholds.

Quantitative information

A.1 Time period distribution by residual contract life of financial assets and liabilities - All currencies – part 1

Line items/Time brackets	On demand	From over 1 day through 7 days	From over 7 days through 15 days	From over 15 days through 1 month	From over 1 month through 3 months	From over 3 months through 6 months
Cash assets						
A.1 Government bonds	0	0	0	0	0	14,282
A.2 Other debt securities	0	0	0	28,135	0	0
A.3 Shares of mutual funds	75,049	0	0	0	0	0
A.4 Loans	0	0	0	0	0	0
- Banks	77,877	0	0	0	10,000	0
- Customers	541,561	3,751	9,606	32,684	124,289	103,087
Cash liabilities						
B.1 Deposits and bank accounts	0	0	0	0	0	0
- Banks	68,334	0	0	0	0	0
- Customers	2,366,145	867	2,492	1,967	29,891	43,323
B.2 Debt securities	95	0	0	0	0	18
B.3 Other liabilities	5,177	0	3	0	191	14,255
"Off balance sheet" transactions						
C.1 Financial derivatives with an exchange of principal	0	0	0	0	0	0
- Long-term positions	0	56,332	26,714	22,937	8,284	99
- Short-term positions	0	56,633	26,823	23,054	8,342	99
C.2 Financial derivatives without an exchange of principal	0	0	0	0	0	0
- Long-term positions	8	0	0	0	0	0
- short-term positions	0	0	0	0	0	135
C.3 Deposits and loans to be received	0	0	0	0	0	0
- Long-term positions	0	0	0	0	0	0
- Short-term positions	0	0	0	0	0	0
C.4 Irrevocable commitments to issue funds	0	0	0	0	0	0
- Long-term positions	519	42	0	0	476	745
- Short-term positions	29,691	0	0	0	0	0
C.5 Financial guarantees issued	0	0	4	13	3,483	1,279
C.6 Financial guarantees received	0	0	0	0	0	0
C.7 Credit derivatives with an exchange of principal	0	0	0	0	0	0
- Long-term positions	0	0	0	0	0	0
- Short-term positions	0	0	0	0	0	0
C.8 Credit derivatives without an exchange of principal	0	0	0	0	0	0
- Long-term positions	0	0	0	0	0	0
- Short-term positions	0	0	0	0	0	0

A.1 Time period distribution by residual contract life of financial assets and liabilities - All currencies – part 2

Line items/Time brackets	From over 6 months through 1 year	From over 1 year through 5 years	Over 5 years	Indefinite duration	Totals
Cash assets					
A.1 Government bonds	177,264	85,197	139,445	0	**416,188**

Line items/Time brackets	From over 6 months through 1 year	From over 1 year through 5 years	Over 5 years	Indefinite duration	Totals
A.2 Other debt securities	0	22,557	3,900	0	**54,592**
A.3 Shares of mutual funds	0	0	0	0	**75,049**
A.4 Loans	0	0	0	0	**0**
- Banks	25,000	19,000	0	234,276	**366,153**
- Customers	159,099	1,007,076	976,070	0	**2,957,222**
Cash liabilities					
B.1 Deposits and bank accounts	0	0	0	0	**0**
- Banks	0	0	0	0	**68,334**
- Customers	64,226	161,424	0	0	**2,670,335**
B.2 Debt securities	9,623	122,792	23,995	0	**156,523**
B.3 Other liabilities	1,201	779,188	5,190	0	**805,204**
"Off balance sheet" transactions					
C.1 Financial derivatives with an exchange of principal	0	0	0	0	**0**
- Long-term positions	1,225	0	0	0	**115,592**
- Short-term positions	1,224	0	0	0	**116,175**
C.2 Financial derivatives without an exchange of principal	0	0	0	0	**0**
- Long-term positions	0	0	0	0	**8**
- short-term positions	135	135	0	0	**405**
C.3 Deposits and loans to be received	0	0	0	0	**0**
- Long-term positions	0	0	0	0	**0**
- Short-term positions	0	0	0	0	**0**
C.4 Irrevocable commitments to disburse funds	0	0	0	0	**0**
- Long-term positions	1,736	12,122	14,000	0	**29,638**
- Short-term positions	0	0	0	0	**29,691**
C.5 Financial guarantees issued	5,728	32,488	30,621	0	**73,617**
C.6 Financial guarantees received	0	0	0	0	**0**
C.7 Credit derivatives with an exchange of principal	0	0	0	0	**0**
- Long-term positions	0	0	0	0	**0**
- Short-term positions	0	0	0	0	**0**
C.8 Credit derivatives without an exchange of principal	0	0	0	0	**0**
- Long-term positions	0	0	0	0	**0**
- Short-term positions	0	0	0	0	**0**

List of guarantees – Situation with Eurosystem at 31/12/2020

ISIN	Security	Nominal value	Book value	ECB Assessment	ECB Differences	Portfolio
XS1811053641	BANCO BPM 18-23 1.75% /PRO	3,100	3,137	2,639	-497	HTC
	COLLATERALIZED RECEIVABLES C/O EUROSISTEMA	495,582	495,582	332,104	-163,477	HTC
	COLLATERALIZED RECEIVABLES C/O EUROSISTEMA	51,771	51,771	34,687	-17,085	HTC
	COLLATERALIZED RECEIVABLES C/O EUROSISTEMA	104,811	104,811	73,367	-31,443	HTC
IT0005315228	PONTORMO RMBS	190,257	190,257	174,737	-15,521	Off balance sheet
IT0005391245	PONTORMO RMBS NOTES A2-19 SUB	238,234	238,234	215,468	-22,767	Off balance sheet
	Totals	**1,083,756**	**1,083,792**	**833,002**	**-250,790**	
	Financing with Eurosystem - Use	790,000		-788,362		
	Credit line			**44,640**		

List of deposits with Eurosystem at 31/12/2020

Amount	Deposit	Rate
280,000.00	Deposit c/o ECB - TLTRO III 3a auction	-0.50%
260,000.00	Deposit c/o ECB - TLTRO III 4a auction	-0.50%
150,000.00	Deposit c/o ECB - TLTRO III 5a auction	-0.50%
100,000.00	Deposit c/o ECB - TLTRO III 6a auction	-0.50%
790,000.00	**Total**	**-0.50%**

List of guarantees – Situation with Cassa Compensazione e Garanzia and other parties at 31/12/2020

ISIN	Security	Nominal value	Book value
IT0005127086	BTP 01.12.2025 2%	11,803	12,703
IT0005185456	CCTEU 15.07.23 TV	500	507
IT0005127086	BTP 01.12.2025 2%	11,803	12,703
	Total	**250,473**	**253,475**

Section 5 – Operational risks

Qualitative information

A. General information, management procedures and methods to measure operational risk

Operational risk is defined as the possibility of suffering losses deriving from the inadequacy or dysfunction of procedures, human resources and internal systems, or from external factors. This risk is inherent to banking activity and therefore may be generated by and exist in all company processes. In general, the main sources of operational risk derive from internal fraud, external fraud, employment relationships and on the job safety, professional obligations towards customers, damage from external events, malfunctioning of information technology system and the execution, delivery and management of processes.

The Bank has defined a series of organisational processes aimed at monitoring and management operational risks, with the aid of the following specific organisational functions:

- Internal Audit, whose activities are aimed, on the one hand, at controlling the regularity of operations and risks trends, and on the other at assessing the overall efficiency of the internal controls system;
- The Control Body, pursuant to Italian Legislative Decree 231/2001, whose composition and functions are defined in specific regulations, within the scope of the organisation, management and control model adopted;
- the Risk Management office, which fulfils the requirement of indentifying and measuring the risks typical of the banking business through the constant monitoring of risks taken and of those potentially generated by investment, lending and service policies;
- the Compliance Office, with the role of monitoring and controlling observance of regulations, and providing support for prevention and management of the risk of incurring judicial or administrative sanctions and/or of incurring significant losses as a consequence of violation of external or internal regulations.

Furthermore, the following documents have been prepared and are constantly updated, to safeguard against the insurgence of operational risks:

- the "Operational Continuity Plan", aimed at protecting the Bank from critical events that may harm operations;
- mapping of the main operating processes (credit, finance and teller), with the aim of levelling operator behaviour thereby facilitating the integration of controls.

Particular attention was focused on information technology risks, which are, by definition, included among operational risks, by setting forth regulations and processes for the identification, assessment and limitation of events originating from, or that could originate from, malfunctioning information technology procedures and/or electronic equipment, such as, for example, network crashes, unavailability of internet banking, and imprecise applications for branch operations. Finally, within the scope of actions implemented in order to ensure full compliance with the new Bank of Italy regulations provided for in Circular 285, the Bank has undertaken important initiatives connected to completing transposition within organisational profiles and internal regulations of the references contained in Chapter IV – Corporate government, internal controls, management risks, Chapter 4 (information system) and 9 (business continuity) of the aforementioned new regulations. Within this scope, the Bank, acknowledging the importance of managing information technology risks as a tool to guaranty the efficacy and efficiency of measures aimed at safeguarding the Bank's own information technology systems, has defined, in accordance with the results of the project elaborated within the Cable network and in compliance regulatory principles and provisions currently in force, a method for the analysis of information technology risks and the relative management process that hinges on the Bank's broader risk management system. In order to calculate capital requirements for operational risks, the Bank has adopted the Basic Indicator Approach (BIA), which entails that capital hedging this type of risk is equal to 15% of the average of the "relevant indicator" over the previous three years, calculated in accordance with articles 315 and 316 of CRR regulations. Capital absorption for this type of risk at 31 December 2020 was € 14,458,503.

Effects deriving from the Covid-19 pandemic

The effects of the Covid-19 pandemic on operational risks were many, especially in terms of IT security risks.

The various functional areas of the Organisational and IT Office were affected by the Covid-19 health emergency, starting from the first government measures, which entailed rationalizing the available resources, living priority to "strategic" requests and projects.

Hence, the portfolio of projects was rationalized, defining the priorities to follow, especially in time of crisis.
In updating the portfolio projects, critical projects were identified, in order to be able to guaranty and support them, and new projects that could possibly support the business during the “emergency” stage, were also identified, in preparation of the “recovery” stage. Hence, based on this outlook, activities focused on reorganizing connectivity, IT security and increasing and strengthening infrastructures in order to support new data traffic flows and increased remote operations.
On this matter, dedicated access procedures were set up, along with new and more appropriated off-site work instruments (cisco – webex).
In order to work in the best way possible, while waiting for a return to normality, possible vulnerabilities of the IT systems were assessed scrupulously, also considering the effects of exogenous elements (for example, lack of work force), setting up rigorous remote work and alternate on-site presence plans among the various “critical” resources identified in advance, also perfecting risk mitigation plans, indispensible to ensure business continuity.
All remote connections were set up guarantying the best access control possible and using the most secure methods available.
The support provided to the network by the various areas of the Organisational and IT Office proved fundamental and allowed responding in an effective and efficacious manner to the crisis created by COVID-19.
Furthermore, the COVID 19 emergency kept a burning spot-light on all issues relating to business continuity, forcing a change of perspective in terms of continuity evaluation.
Also in light of the recommendation expressed by Bank of Italy with the press release issued on 20/03/2020 “Extension of terms and other temporary measures to mitigate the impact of COVID-19 on the Italian banking and financial system”, in which “less significant” banks and other monitored intermediaries were asked to “review business continuity plans”, the Group’s Organisational and IT Office set up a specific task force to implement the plan.
On 16 March 2020, the Business Continuity Plan was integrated and approved by the Board of Directors of the Parent Company with a specific section dedicated to “risk of pandemic”, which provides for the event of a simultaneous unavailability of structures, critical suppliers and human resources and, consequently, the integration to the plan has better defined the priorities and chain of command to be followed.

Quantitative information

The amount of losses actually verified during the past two fiscal years is set forth below, classified according to the categories provided by regulatory provisions. Their amount, consequent also to the risk assessments conducted on the specific type of risk in review, is not significant; in any event there is specific documentation regarding events that resulted in losses.

Types of event resulting in loss Categories of the event (level 1)	Definition	2020	2019
1. Internal fraud	Losses due to unauthorized activities, fraud, embezzlement or violation of laws, regulations or company policy that involve at least one of the Bank’s internal resources.		0
2. External fraud	Losses due to fraud, embezzlement or the violation of laws by parties not employed by the Bank.	587,417	10,734
3. Employment and workplace safety	Losses deriving from acts that violate laws or agreements with respect to employment or workplace health or safety, from the payment of damages for personal injuries or episodes of discrimination or the failure to apply equal treatment.		0
4. Customers, products and professional practice	Losses due to breaches of professional obligations to customers or from the nature or characteristics of the product or service supplied.	46,669	17,552
5. Damage to property, plants and equipment	Losses deriving from external events, such as natural catastrophes, terrorism, or acts of vandalism.		0
6. Interruptions of operations and system malfunctions	Losses due to interruptions of operations, to malfunctions or the unavailability of systems.	120	0
7. Performance, delivery and management procedures	Losses due to the failure to complete operations or manage procedures, as well as losses due to relations with commercial counterparties, sellers or suppliers.	12,757	92,416
TOTAL		646,964	**120,702**

Public disclosure of information

Information regarding capital adequacy, risk exposure and the characteristics of the systems set up to identify, measure and manage the aforementioned risks, as required by the “Supervisory Instructions for Banks” (Circular n. 285 of 17 December 2013), under Title III “Public Disclosure”, is published on the Bank’s web site, at the URL address: www.bancacambiano.it.

PART F – Information on capital

SECTION 1- IL SHAREHOLDERS' EQUITY

A. Qualitative information

The Board of Directors is responsible for managing corporate equity and defining the optimal volume of share capital based on corporate policies and strategic choices. In accordance with the strategic guidelines for development, the Bank has adopted all the measures necessary to ensure current and prospective capital adequacy, in consideration of current Bank of Italy regulations, the new Basel 3 regulatory framework, on the basis of which own funds are defined, and the targets required by the Supervisory Authority. As of 2019, Banca Cambiano has a Capital Management Plan that is systematically monitored by the Risk Management Office, which monitors current and prospective capital adequacy. Compliance with supervisory requirements is verified on at least a quarterly basis, and additional, specific assessments may be carried out as needed, for preventive evaluation of capital adequacy in view of extraordinary transactions.

The minimum external regulatory capital requirements that the Bank uses as reference are composed by the minimum parameters set out in article 92 of the CRR, the decisions regarding capital issued by Bank of Italy at the end of the periodical SREP prudential review process and by the combined capital reserve (capital conservation requirement. CCoB and anti-cyclical capital reserve-CCyB) requirement that is currently applicable.

In consideration of the above, and of the fact that the CCyB is set at 0%, Banca Cambiano is required to comply with the following requirements:

- Cet1 ratio equal to 7.70% composed of the Total SREP Capital Requirement binding measures 5,20% (of which 4.5% pursuant to art. 92 CRR) and the Capital Conservation reserve 2.5%;
- Tier 1 ratio equal to 9.40% composed of the Total SREP Capital Requirement binding measures 6.90% (of which 6% pursuant to art. 92 CRR) and the Capital Conservation reserve 2.5%;
- Total Capital ratio equal to 11.75% composed of the Total SREP Capital Requirement binding measures 9.25% (of which 8% pursuant to art. 92 CRR) and the Capital Conservation reserve 2.5%.

To ensure that the above binding measures are met even in the event of deterioration of the economic and financial context, the Target component (Pillar 2 Guidance, P2G) identified in the event of a greater risk in stress conditions amounts to 0.50%.

The value of own funds, that at 31/12/2020 amounts to 11.672% of CET1, 12.176% of Tier1 and 14.746% of Total Capital, is fully compliant on all three levels of binding capital and the capital conservation reserve is hedged by Tier 1 capital.

The value of own funds so-called "fully loaded", at 31/12/2020, not considering therefore the IFRS9 transitory regimen in effect until the 2023 fiscal year, amounts to 9.17% of CET1, 9.69% of Tier1 and 12.33% of Total Capital.

Current and prospective capital adequacy management is executed not only by assessing and monitoring regulatory capital against Pillar I risks, but also by assessing internal capital capable of guarding against any type or risk (so-called Pillar II risks) within the scope of the ICAAP -Internal Capital Adequacy Assessment Process that culminates in the preparation of the annual group-level report and that constitutes the basis for the subsequent review and prudential assessment (SREP) by the Supervisory Authority.

The Bank's shareholders' equity is determined by the sum of share capital, premium share reserve, retained earnings and profit for the year, in the amount destined to reserve, as specified in Part B of this Section.

B. Quantitative information

B.1 Shareholders' equity: breakdown

Line items\Values	Amount 31/12/2020	Amount 31/12/2019
1. Capital	232,800	232,800
2. Premiums on the issue of new shares	803	803
3. Reserves	-53,795	-66,995
- earnings	-53,795	-66,995
a) legal	1,060	400
b) statutory	0	0
c) treasury shares	0	0
d) other	-54,855	-67,395

Line items\Values	Amount 31/12/2020	Amount 31/12/2019
- other	0	0
4. Equity instruments	10,000	0
5. (Treasury shares)	0	0
6. Valuation reserves	584	1,846
-Capital securities measured at fair value with impact on total profits	-1,639	-595
- Hedges on capital securities measured at fair value with impact on total profits	0	0
- Financial assets (other than capital securities) measured at fair value with impact on total profits	95	169
- Property, plants and equipment	0	0
- Intangible assets	0	0
- Hedging of foreign investments	0	0
- hedging of cash flows	0	0
- Exchange rate differences	0	0
- Noncurrent assets in course of divestment	0	0
- Financial liabilities measured at fair value with recognition of income effects through profit and loss (Variations to own creditworthiness)	0	0
- Actuarial profit (loss) related to defined benefit plans	-1,171	-1,026
- shares of valuations reserves related to subsidiaries measured at shareholders' equity	3,298	3,298
- Special revaluation laws	0	0
7. Profit (loss) for the fiscal year	8,100	13,200
Total	**198,492**	**181,655**

B.2 Valuation reserves of financial assets measured at fair value with impact on total profits: breakdown

Assets/Values	Total 31/12/2020		Total 31/12/2019	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	411	315	612	443
2. Equity investments	82	1,721	114	709
3. Loans	0	0	0	0
Total	493	2,036	**726**	**1,152**

B.3 Valuation reserves of financial assets measured at fair value with impact on total profits: Annual variations

Line items	Debt securities	Equity investments	Loans
1. Initial value	**169**	**-595**	**0**
2. Additions	**489**	**6**	**0**
2.1 Increases of fair value	392	6	0
2.2 Value adjustments due to impairment	79	0	0
2.3 Reversal to the income statement of negative reserves negative from use	18	0	0
2.4 Transfers to other components of shareholders' equity (equity investments)	0	0	0
2.5 Other variations	0	0	0
3. Reductions	**563**	**1,050**	**0**
3.1 Reductions of fair value	183	1,050	0
3.2 Write-backs of value due to impairment	188	0	0
3.3 Reversal to the income statement from positive reserves: from use	193	X	0
3.4 Transfers to other components of shareholders' equity (equity investments)	0	0	0
3.5 Other variations	0	0	0
4. Final values	**95**	**-1,639**	**0**

PART H – Transactions with related parties

Introduction

As specified in the Report on Management, as of 8 July (date of registration in the Register of Companies and in the Registry of Banking Groups), with the variation of the structure of Gruppo Bancario Cambiano, Banca Cambiano 1884 S.P.A. has become the "parent company", a role previously carried out by Ente Cambiano s.c.p.a. Ente Cambiano continues to hold its shares in the Bank's capital in the amount of 92.77%, hence remaining the controlling company.

At 31 December 2020, the Bank is Parent Company of the Gruppo Bancario Cambiano composed of:
• Cabel Leasing S.p.a.
• Società Immobiliare 1884 S.r.l.

The types of related parties, as defined by IAS 24, that are significant to the Bank, include:
• the controlling company;
• the subsidiaries;
• executives having strategic responsibilities;
• close relations of executives having strategic responsibilities or companies controlled by (or associated to) the same or by (to) close relatives.

The information regarding compensation for executives having strategic responsibilities and that regarding transactions with related parties are provided here following.

1. Information on compensation for executives having strategic responsibilities
The definition of executives having strategic responsibilities, according to IAS 24, includes those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly, including the Bank directors.
In conformity with the provisions of Bank of Italy Circular n. 262 of 22 December 2005 (6th update of 30 November 2018) the members of the Board of Statutory Auditors are also included among executives having strategic responsibilities.
The table below shows the compensation in 2020, for directors, statutory auditors and executives having strategic responsibilities.

1. Information regarding compensation for executives having strategic responsibility (gross amounts)

Line items	31/12/2020	31/12/2019	Var.	% var.
a) Compensation for directors	346	291	55	19.04%
b) Compensation for statutory auditors	194	139	55	39.92%
c) Compensation for executives	1,154	1,204	-51	-4.22%
Total	**1,694**	**1,634**	**60**	**3.67%**

2. Information on transactions with related parties

Directors	31/12/2020	31/12/2019	Var.	% var.
a) Receivables	6,660	4,317	2,343	54.28%
b) Issued guarantees	236	147	89	60.46%
Total	6,897	4,464	2,432	54.48%

Statutory Auditors	31/12/2020	31/12/2019	Var.	% var.
a) Receivables	87	0	87	100.00%
b) Issued guarantees	0	5	-5	-100.00%
Total	87	5	82	1578.85%

2. Information on transactions with related parties

The schedule below shows the assets, liabilities, guarantees and commitments as at 31 December 2020, subdivided by the various types of related party, in accordance with IAS 24.

Balance sheet line items	Parent company	Subsidiaries	Directors	Auditors	Managers with strategic responsibility	Other related parties	Total	% on balance sheet line item
Line item 40 - Financial assets measured at amortized cost - a) receivables from banks	0	0	0	0	0	0	**0**	**0.00%**
Line item 40 - Financial assets measured at amortized cost - b) receivables from customers	6,097	153,473	6,709	87	99	5,427	**171,891**	**5.56%**
Line item 120 - Other assets	0	0	0	0	0	0	**0**	**0.00%**
Total assets	**6,097**	**153,473**	**6,709**	**87**	**99**	**5,427**	**171,891**	**4.27%**
Line item 10 - Financial liabilities valued at amortized cost - a) payables to banks	0	0	0	0	0	0	**0**	**0.00%**
Line item 10 - Financial liabilities valued at amortized cost -b) payables to customers	0	9	1,473	0	2,380	655	**4,517**	**0.17%**
Line item 50 - Other liabilities	0	0	0	0	0	0	**0**	**0.00%**
Total liabilities	**0**	**9**	**1,473**	**0**	**2,380**	**655**	**4,517**	**0.11%**
Guarantees issued	0	441	230	0	10	5,044	**5,725**	

As regards transactions with parties that exercise administrative, management and control functions vis-à-vis the Bank, article 136 of Legislative Decree 385/1993 and article 2391 of the Italian Civil Code apply.
More in general, as regards transactions with related parties, as defined by IAS 24, the provisions for prudential supervision contained in Title V, chapter 5 of the Bank of Italy Circular n. 263/2006 ("Risk activities and conflicts of interest with related parties"), also apply, save for a few cases due to the imperfect coincidence between the fields of application of the two regulations.
Transactions with related parties are regularly carried out at market conditions and always on the basis of evaluations of economic convenience and in compliance with current regulations, appropriately explanation of the convenience in concluding the transaction.
Among the various valid intergroup contracts existing at the close of the fiscal year, please note:

1) The convention stipulated between the Bank and the Controlling company relating to the execution by the Bank of administration and supervisory activities;
2) Contracts relative to execution by the Parent Company of Anti-Money Laundering, inquiry and risk management activities for subsidiaries;
3) Financing contracts:
    a) Financing for cash flow flexibility related to the financial needs of the parent company amounting to 20 million euro, granted in the technical form of opening credit in bank accounts, at a 1% rate;
    b) Financing for cash flow flexibility related to the financial needs of Cabel Leasing amounting to 197 million euro, granted in the technical form of opening credit in bank accounts, at a 1% rate.

Annexes

Schedules to the Financial Statements of Cabel Leasing S.p.A.

SCHEDULES TO THE FINANCIAL STATEMENTS – FINANCIAL INTERMEDIARIES

BALANCE SHEET

	Asset line items	2020	2019
10.	Cash and cash equivalents	1,905	1,247
20.	Financial assets measured at fair value with recognition of income effects through profit and loss		
	a) financial assets held for trading		
	b) financial assets measured at fair value		
	c) other financial assets obligatorily measured at fair value		
30.	Financial assets measured at fair value with impact on total profits	18,402	18,402
40.	Financial assets measured at amortized cost	222,466,928	192,164,017
	a) receivables from banks	*552,865*	*564,887*
	b) receivables from financial companies	*1,327,369*	*1,248,546*
	c) receivables from customers	*220,586,694*	*190,350,584*
50.	Hedges		
60.	Adjustments of value of generic hedges for financial assets (+/-)		
70.	Equity investments		
80.	Property, plants and equipment	4,381,848	4,550,604
90.	Intangible assets		
	of which:		
	- goodwill		
100.	Tax receivables	4,163,494	1,937,966
	a) current	*4,135,107*	*1,903,853*
	b) pre-paid	*28,387*	*34,113*
110.	Non-current assets and groups of assets in the course of divestment		
120.	Other assets	583,703	932,514
	Total assets	**231,616,280**	**199,604,750**

	Liability and shareholders' equity line items	2020	2019
10.	Financial liabilities valued at amortized cost	203,274,026	171,791,764
	a) payables	*203,274,026*	*171,791,764*
	c) outstanding securities		
20.	Financial liabilities from trading		
30.	Financial liabilities measured at fair value		
40.	Hedges		
50.	Adjustments of value of generic hedges for financial liabilities(+/-)		
60.	Tax liabilities	632,137	568,341
	a) current	*268,613*	*204,817*
	b) deferred	*363,524*	*363,524*
70.	Liabilities associated to assets in the course of divestment		
80.	Other liabilities	7,162,963	7,114,152
90.	Employee severance pay	206,217	185,778
100.	Risk and expense funds	18,252	3,052
	a) commitments and issued guarantees	*4,771*	*3,052*
	b) pensions and similar commitments		
	c) other risk and expense funds	*13,481*	
110.	Share capital	10,000,000	10,000,000
120.	Treasury shares (-)		
130.	Equity instruments		
140.	Premiums on the issue of new shares		
150.	Reserves	9,941,663	9,692,916
160.	Valuation reserves		
170.	Profit (loss) for the fiscal year (+/-)	381,022	248,747
	Total liabilities and shareholders' equity	**231,616,280**	**199,604,750**

INCOME STATEMENT

	Line items	2020	2019
10.	Earned interest and similar income	4,798,386	4,021,500
	of which earned interest calculated using the actual interest method		
20.	Interest expenses and similar expenses	-1,754,925	-1,517,237
30.	**Interest income**	**3,043,461**	**2,504,263**
40.	Commission income	68,988	65,778
50.	Commission expenses	-207,477	-213,359
60.	**Commission income**	**-138,489**	**-147,581**
70.	Dividends and similar income		131
80.	Net trading result		
90.	Net hedging result		
100.	Gains/losses from the disposal or repurchase of:		
	a) financial assets measured at amortized cost		
	b) financial assets measured at fair value with impact on total profits		
	b) financial liabilities		
110.	Net income of other financial assets and liabilities measured at fair value with recognition of income effects in the profit and loss account		
	a) financial assets and liabilities measured at fair value		
	b) other financial assets obligatorily measured at fair value		
120.	**Operating income**	**2,904,972**	**2,356,813**
130.	Net adjustments/write-backs due to impairment of:	-499,002	-317,133
	a) financial assets measured at amortized cost	*-499,002*	*-317,133*
	b) financial assets measured at fair value with impact on total profits		
140.	Profits/losses due to contract modifications without derecognition		
150.	**NET INCOME FROM FINANCIAL ASSETS**	**2,405,971**	**2,039,680**
160.	Administrative costs:	-1,720,306	-1,725,274
	a) personnel costs	*-921,284*	*-967,644*
	b) other administrative costs	*-799,022*	*-757,630*
170.	Net allocations to risk and expense funds	-15,200	113
	a) commitments and issued guarantees	*-15,200*	*113*
	b) other net allocations		
180.	Net adjustments/write-backs to property, plants and equipment	-56,760	-78,149
190.	Net adjustments/write-backs to intangible assets		
200.	Other operating income and expenses	207,356	333,748
210.	**OPERATING COSTS**	**-1,584,910**	**-1,469,563**
220.	Profit (loss) from equity investments		
230.	Net result of fair value measurement of property, plants and equipment and intangible assets	-165,700	-120,548
240.	Adjustments to value of goodwill		
250.	Gains (losses) from disposal of investments		
260.	**Gains (losses) from current operations before taxes**	**655,361**	**449,570**
270.	Fiscal year income tax on current operations	-274,339	-200,823
280.	**Gains (losses) from current operations after taxes**	**381,022**	**248,747**
290.	Gains (losses) from groups of assets disposed after taxes		
300.	**Profit (loss) for the fiscal year**	**381,022**	**248,747**

SCHEDULE OF OVERALL PROFITABILITY

		2020	2019
10.	**Profit (loss) for the fiscal year**	**381,022**	**248,747**
	Other income components net of tax without reversal to income statement		
20.	Equity investments measured at fair value with impact on total profits		
30.	Financial liabilities measured at fair value with recognition of income effects through profit and loss (variations to own creditworthiness)		
40.	Hedges on equity investments measured at fair value with impact on total profits		
50.	Property, plants and equipment		
60.	Intangible assets		
70.	Defined benefit assets		
80.	Non-current assets and groups of assets in the course of divestment:		
90.	Share of valuation reserves of equity investments measured on the basis of shareholders' equity		
	Other income components net of tax with reversal to income statement		
100.	Hedging of foreign investments		
110.	Exchange rate differences		
120.	Hedging of cash flows		
130.	Hedging instruments (unmeasured instruments)		
140.	Financial assets(other than equity investments) measured at fair value with impact on total profits		
150.	Non-current assets and groups of assets in the course of divestment:		
160.	Share of valuation reserves of equity investments measured on the basis of shareholders' equity		
170.	**Total other income components before tax**		
180.	**Overall profitability (Lines item 10+170)**	**381,022**	**248,747**

CASHFLOW STATEMENT – DIRECT METHOD

	Amount	
	2020	**2019**
A. OPERATING ASSETS		
1. Management	1,143,850	779,448
- earned interest collected(+)	4,798,386	4,021,500
- interest expenses paid (-)	(1,754,925)	(1,517,237)
- dividends and similar income (+)		131
- commission income (+/-)	(138,489)	(147,581)
- personnel costs (-)	(900,845)	(948,665)
- other costs (-)	(1,332,246)	(1,265,690)
- other revenues (+)	740,582	841,807
- taxes and duties (-)	(268,613)	(204,817)
- costs/revenues related to operating assets transferred net of fiscal effects (+/-)		
2. Liquidity generated/absorbed by financial assets	(32,684,359)	(27,906,153)
- financial assets held for trading		
- financial assets measured at fair value		
- other assets obligatorily measured at fair value		
- financial assets measured at fair value with impact on total profits		
- financial assets measured at amortized cost	(30,801,916)	(26,708,538)
- other assets	(1,882,443)	(1,197,615)
3. Liquidity generated/absorbed by financial liabilities	31,594,870	27,152,959
- financial liabilities valued at amortized cost	31,482,263	26,842,934
- financial liabilities from trading		
- financial liabilities measured at fair value		
- other liabilities	112,607	310,025
Net liquidity generated/absorbed by operating assets	54,361	26,254
B. INVESTMENT ACTIVITIES		
1. Liquidity generated by	6,385	
- sale of equity investments		
- dividends received from equity investments		
- sale of property, plants and equipment	6,385	
- sale of intangible assets		
- sale of branches of business		
2. Liquidity absorbed by	(60,090)	(26,338)
- purchase of equity investments		
- purchase of property, plants and equipment	(60,090)	(26,338)
- purchase of intangible assets		
- purchase of branches of business		
Net liquidity generated/absorbed investment activities	(53,705)	(26,338)
C. FUNDING ACTIVITIES		
- issues/purchases of treasury shares		
- issues/purchases of capital instruments		
- distribution of dividends and other purposes		
Net liquidity generated/absorbed by funding activities		
NET LIQUIDITY GENERATED/ABSORBED DURING THE FISCAL YEAR	**656**	**(84)**

RECONCILIATION

Balance sheet line items	Amount	
	2020	**2019**
Cash and cash equivalents at the start of the fiscal year	1,247	1,331
Total net liquidity generated/absorbed during the fiscal year	658	(84)
Cash and cash equivalents: effect of exchange rate variations		
Cash and cash equivalents at the close of the fiscal year	1,905	1,247

SCHEDULE OF VARIATIONS TO SHAREHOLDERS' EQUITY FOR FINANCIAL INTERMEDIARIES

	Amounts as at 31/12/2019	Modification of opening balances	Amounts as at 01/01/2020	Allocation of prior fiscal year result		Fiscal year variations							Shareholders' equity at 31/12/2020
				Reserves	Dividends and other allocations	Variations of reserves	Transactions on shareholders' equity					Profit (loss) for the 2020 fiscal year	
							Issue of new shares	Purchase of treasury shares	Extraord. Distribution of dividends	Variations to equity instruments	Other variations		
Share capital	10,000,000		10,000,000										10,000,000
Share premium													
Reserves:													
a) from gains	7,894,907		7,894,907	248,747									7,894,907
b) other	1,798,009		1,798,009										1,798,009
Valuation reserves													
Equity investments													
Treasury shares													
Fiscal year profit (loss) 2019	248,747		248,747	(248,747)									
Fiscal year profit (loss) 2020												381,022	381,022
Shareholders' equity	19,941,663		19,941,663									381,022	20,073,938

Schedules to the Financial Statements of Immobiliare 1884 S.r.l.

IMMOBILIARE 1884 S.R.L.
Single-member company

Financial Statements at 31-12-2020

Corporate data	
Head offices in	VIALE ANTONIO GRAMSCI 34 - 50132 FIRENZE (FI)
Fiscal Code	06780730484
Register of Companies registration n.	FI 000000655716
VAT code	06780730484
Share Capital in Euro	10,000,000 fully paid-in
Juridical form	Limited liability company
Prevalent business sector (ATECO)	682001
Company undergoing liquidation	No
Single-member company	Yes
Company subject to management and control by another company	Yes
Name of the company or entity executing management and control activities	Banca Cambiano 1884 S.p.A.
Belongs to a group	Yes
Name of the parent company	Banca Cambiano 1884 S.p.A.
Country of the parent company	ITALY

Balance sheet

	31-12-2020	31-12-2019
Balance sheet		
Assets		
B) Immobilizzazioni		
I - Intangible fixed assets		
1) start-up and expansion costs	9,864	14,796
7) other	3,172	74,041
Total intangible fixed assets	13,036	88,837
II - Tangible fixed assets		
1) land and buildings	2,088,596	5,307,419
3) industrial and commercial equipment	3,822	2,465
4) other assets	17,540	14,334
5) fixed assets under construction and advance payments	5,183,089	914,648
Total tangible fixed assets	7,293,047	6,238,866
III - Financial fixed assets		
2) receivables		
d-bis) from others		
due within the next fiscal year	1,472,000	0
due after the next fiscal year	2,701,042	0
Total receivable from others	4,173,042	0
Total receivables	4,173,042	0
Total financial fixed assets	4,173,042	0
Total fixed assets (B)	11,479,125	6,327,703
C) Current assets		
I - Inventory		
3) work in progress on order	3,316,818	2,793,560
Total inventory	3,316,818	2,793,560
II - Receivables		
1) from customers		
due within the next fiscal year	0	20,000
Total receivables from customers	0	20,000
5-bis) Tax receivables		
due within the next fiscal year	753,659	780,006
Total tax receivables	753,659	780,006
5-quater) Receivables from others		
due within the next fiscal year	649,955	242,891
Total receivables from others	649,955	242,891
Total receivables	1,403,614	1,042,897
IV - Cash and cash equivalents		
1) bank and post office accounts	8,992	1,027,747
Total cash and cash equivalents	8,992	1,027,747
Total current assets (C)	4,729,424	4,864,204
D) Accrued income and pre-payments	1,302	1,694
Total assets	16,209,851	11,193,601
Liabilities		
A) Shareholders' equity		
I - Share capital	10,000,000 10,000,000	
VI – Other reserves, indicated separately		

Merger surplus reserve	(75,034)	(78,551)
Total other reserves	(75,034)	(78,551)
IX - Profit (loss) for the financial year	227,219	3,517
Total shareholders' equity	10,152,185	9,924,966
D) Payables		
4) due to banks		
due within the next fiscal year	5,066,736	54,365
due after the next fiscal year	843,705	899,167
Total due to banks	5,910,441	953,532
7) due to suppliers		
due within the next fiscal year	42,344	266,524
Total due to suppliers	42,344	266,524
12) tax payables		
due within the next fiscal year	50,036	4,539
due after the next fiscal year	51,745	0
Total tax payables	101,781	4,539
13) due to social security institutions		
due within the next fiscal year	1,601	0
Total due to social security institutions	1,601	0
14) other payables		
due within the next fiscal year	0	30,866
Total other payables	0	30,866
Total payables	6,056,167	1,255,461
E) Accrued income and pre-payments	1,499	13,174
Total liabilities	16,209,851	11,193,601

Income Statement

	31-12-2020	31-12-2019
Income statement		
A) Value of production		
1) revenues from sales and other services	277,602	272,391
5) other revenues and income		
grants related to income	2,000	0
Other	12,922	424
Total other revenues and income	14,922	424
Total value of production	292,524	272,815
B) Cost of production		
6) for raw materials, consumables and goods	523,258	702,461
7) for services	73,907	34,659
10) amortization and depreciation		
a) amortization of intangible fixed assets	26,005	22,834
b) amortization of tangible fixed assets	74,728	72,080
Total amortization and depreciation	100,733	94,914
11) variations to inventory or raw materials, supplies and goods	(523,258)	(702,461)
14) other operating expenses	65,100	95,256
Total cost of production	239,740	224,829
Difference between value and cost of production (A - B)	52,784	47,986
C) Financial income and charges		
16) other financial income		
a) from receivables entered as fixed assets		
other	300,000	0
Total financial income from receivables entered as fixed assets	300,000	0
d) income other than the above		
other	94	986
Total income other than the above	94	986
Total other financial income	300,094	986
17) interest and other financial charges		
other	81,175	19,635
Total interest and other financial charges	81,175	19,635
Total financial income and charges (15 + 16 - 17 + - 17-bis)	218,919	(18,649)
Total before taxes (A - B + - C + - D)	271,703	29,337
20) Current deferred and prepaid income tax		
current income tax	44,484	5,801
taxes due for previous years' income	0	20,019
Total current deferred and prepaid income tax	44,484	25,820
21) Profit (loss) for the year	227,219	3,517

Financial statement, indirect method

	31-12-2020	31-12-2019
Financial statement, indirect method		
A) Cash flows from operations (indirect method)		
Fiscal year profit (loss)	227,219	3,517
Income taxes	44,484	25,820
Interest expenses /(income)	(218,919)	18,649
1) Fiscal year profit (loss) before income tax, interest, dividends and capital gains/losses from conveyances	52,784	47,986
Adjustments for non-monetary components with no effect on net working capital		
Amortization of fixed assets	100,733	94,914
Total adjustments for non-monetary components with no effect on net working capital	100.733	94.914
2) Cash flows before variations of net working capital	153,517	142,900
Variations of net working capital		
Decrease/(Increase) of inventory	(523,258)	(702,461)
Decrease/(Increase) of receivables from customers	20,000	(20,000)
Increase/(Decrease) of payables to suppliers	(224,180)	(134,766)
Decrease/(Increase) from accrued income and pre-payments	392	(112)
Increase/(Decrease) from accrued charges and deferred income	(11,675)	11,496
Other decreases/(other increases) of net working capital	(364,485)	(44,205)
Total variations to net working capital	(1,103,206)	(890,048)
3) Cash flow after variations of net working capital	(949,689)	(747,148)
Other adjustments		
Interest received /(paid)	218,919	(18,649)
(Income tax paid)	(44,484)	(25,820)
Total other adjustments	174,435	(44,469)
Cash flow from operations (A)	(775,254)	(791,617)
B) Cash flow from investments		
Tangible fixed assets		
(Investments	(1,128,909)	(873,233)
Intangible fixed assets		
(Investments)	-	(70,623)
Disinvestments	49,796	-
Financial fixed assets		
(Investments)	(4,173,042)	-
Cash flow from investments (B)	(5,252,155)	(943,856)
C) Cash flows from financing activities		
Third-party means		
Increase/(Decrease) short-term accounts payable to banks	5,012,371	1,076
(Repayment of loans)	(3,717)	(54,365)
Own means		
(Repayment of principal)	-	(1)
Financial cash flow from financing activities (C)	5,008,654	(53,290)
Increase (decrease) of cash and cash equivalents (A ± B ± C)	(1,018,755)	(1,788,763)
Cash and cash equivalents at the start of the financial year		
Bank and post office deposits	1,027,747	2,834,165
Total cash and cash equivalents at the start of the financial year	1,027,747	2,834,165
Cash and cash equivalents at the end of the financial year		
Bank and post office deposits	8,992	1,027,747
Total cash and cash equivalents at the end of the financial year	8,992	1,027,747

Analytical list of property, plants and equipment comprehensive of revaluations– Law 19/03/1983 n. 72 art. 10

Description	Historical cost	Rev. Law 576/75	Rev. Law 72/83	Rev. Law 413/91	Rev. from first time adoption IAS 01/01/2005	Total real property at 31/12/2020	of which land value at 31/12/2020	of which value of buildings at 31/12/2020	Amortization fund at 31/12/2020	Book value at 31/12/2020
Gambassi Terme Via Garibaldi, 18 Branch	168,367	1,033	23,241	3,352	336,003	**531,995**	0	531,995	379,796	**152,199**
Castelfiorentino Via Piave, 8 Head offices	1,401,528	10,641	179,368	42,042	1,258,394	**2,891,972**	480,000	2,411,972	2,327,613	**564,358**
Castelfiorentino Via Carducci, 8/9 Head offices	1,591,222	0	480,305	63,974	2,409,822	**4,545,323**	1,800,000	2,745,323	2,242,628	**2,302,694**
Empoli Via Chiarugi, 4 Branch	4,522,834	0	0	0	2,747,576	**7,270,410**	2,000,000	5,270,410	3,933,758	**3,336,652**
Poggibonsi Via S.Gimignano, 24/26 Branch	2,255,453	0	0	0	710,082	**2,965,535**	935,000	2,030,535	1,438,040	**1,527,494**
Castelfiorentino Via Cerbioni Archive 1	629,911	0	0	0	227,844	**857,755**	185,000	672,755	432,564	**425,190**
Barberino V.E. P.za Capocchini, 21/23 Branch	148,309	0	0	0	475,968	**624,277**	0	624,277	383,930	**240,347**
Empoli Via Cappuccini, 4 Branch	68,971	0	0	0	156,468	**225,439**	0	225,439	138,649	**86,789**
Castelfiorentino Via Cerbioni Archive 2	497,075	0	0	0	98,101	**595,176**	150,000	445,176	230,748	**364,428**
Castelfiorentino Via Gozzoli, 45 Branch	1,004,113	0	0	0	1,013	**1,005,126**	250,000	755,126	373,063	**632,063**
Cerreto Guidi Via V. Veneto, 59 Branch	475,736	0	0	0	216,286	**692,022**	0	692,022	338,570	**353,452**
Castelfiorentino Via Veneto/Via Piave Head offices	10,049,867	0	0	0	-70,200	**9,979,667**	755,020	9,224,647	128,656	**9,851,011**
Gambassi Terme Via Volta, 19/21 Archive 3	1,691,075	0	0	0	0	**1,691,075**	552,655	1,138,420	401,233	**1,289,842**
Castelfiorentino Via Piave, 10 Head offices	239,743	0	0	0	0	**239,743**	0	239,743	14,385	**225,358**
Florence Via Varchi, 2/4 Branch	12,110,415	0	0	0	0	**12,110,415**	1,222,000	10,888,415	1,949,928	**10,160,488**
Castelfiorentino Via Piave, 6 (Garage) Head offices	138,468	0	0	0	0	**138,468**	0	138,468	8,308	**130,160**
Florence Via May Branch	1,558,533	0	0	0	0	**1,558,533**	0	1,558,533	402,693	**1,155,840**
Castelfiorentino Via Carducci 4 Head offices	557,166	0	0	0	0	**557,166**	0	557,166	33,430	**523,736**
Montespertoli Via Romita 105 Branch	252,244	0	0	0	0	**252,244**	0	252,244	60,264	**191,981**
Colle Val d'Elsa Piazza Arnolfo Branch - Not operational	1,822,857	0	0	0	0	**1,822,857**	774,000	1,048,857	0	**1,822,857**
Fucecchio Piazza Montanelli Branch	4,880,190	0	0	0	0	**4,880,190**	900,000	3,980,190	960,989	**3,919,201**
San Gimignano Via dei Fossi Branch	1,364,777	0	0	0	0	**1,364,777**	1,000,000	364,777	12,652	**1,352,126**
San Miniato Via Tosco Romagnola Branch	271,697	0	0	0	0	**271,697**	50,193	221,504	39,903	**231,794**
Greve in Chianti Piazza Matteotti Branch	845,729	0	0	0	0	**845,729**	73,200	772,529	110,686	**735,043**
Total	**48,546,281**	**11,673**	**682,914**	**109,367**	**8,567,356**	**57,917,591**	**11,127,069**	**46,790,522**	**16,342,485**	**41,575,105**

Expenses for statutory audit – sub-section 1, n. 16-bis, article 2427 of the Italian Civil Code

In compliance with the provisions of article 2427, sub-section 1, n. 16-bis of the Italian Civil Code, below is a detail of the fees for the 2018 fiscal year set forth in the contract with the Auditing Company for the statutory accounting audit and for the performance of other services rendered to the Bank.
Amounts are net of VAT and expenses.

Type of service	Subject performing the service: auditing company / statutory auditor	Total amount of fees (in euro)
A) Statutory audit	Deloitte & Touche S.p.A.	33,400
B) Certification services	Deloitte & Touche S.p.A.	0
C) Tax consulting services	-	0
D) Other services	Deloitte & Touche S.p.A.	2,022
Total fees		**35,422**

For completeness of information, the fees paid during the 2020 fiscal year to the company Baker Tilly Revisa S.p.A. that performed auditing services up to stipulation of the agreement with the company Deloitte & Touche S.p.A. pursuant to resolution of the Shareholders' Meeting of 04/06/2020:

Type of service	Subject performing the service: auditing company / statutory auditor	Total amount of fees (in euro)
A) Statutory audit	Baker Tilly Revisa S.p.A.	28,184.00
B) Certification services	Baker Tilly Revisa S.p.A.	3,263.00
C) Tax consulting services	-	0.00
D) Other services	Baker Tilly Revisa S.p.A.	10,330.32
Total fees		**41,777.32**

BANCA CAMBIANO 1884 SOCIETÀ PER AZIONI
Registered head office and general management: Viale Antonio Gramsci, 34 – 50132 Florence
Administrative head office: Piazza Giovanni XXIII, 6 – 50051 Castelfiorentino (Fi)
Registered with the Bank of Italy Register of Banks at n. 5667
Share capital € 232,800,000.00 fully paid-in
Registration number in the Company Register of Florence, Vat Code and Fiscal Code: 02599341209
Parent Company of the Gruppo Bancario Cambiano, registered at n. 238 of the Register of Banking Groups