

# Financial Statements 2019



**BANCA  
CAMBIANO** 1884  
SOCIETÀ PER AZIONI





# REPORT AND FINANCIAL STATEMENTS

## FOR FISCAL YEAR 2019

**Approved by the Ordinary Shareholders' Meeting on 4 June 2020**



**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

Member of the Gruppo Bancario Cambiano

Subject to Management and Coordination by Ente Cambiano S.c.p.a.



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# Notice of Shareholders' Meeting



**BANCA**  
**CAMBIANO** 1884  
SOCIETÀ PER AZIONI



**Notice of Shareholders' Meeting published in the Official Gazette of the Republic of Italy – II Section – Announcement sheet – Business Announcements – Notice of shareholders' meeting – n. 57 dated 14 May 2020**

14-5-2020

Official Gazette of the Republic of Italy

Announcement sheet n. 57

**BANCA CAMBIANO 1884 S.p.A**

Registered at n. 5667 of the Banking Registrar  
Member of the Gruppo Bancario Cambiano  
Subject to management and coordination by Ente  
Cambiano Scpa

Registered offices: viale Antonio Gramsci, 34 –  
50132 Florence (FI), Italy

Share capital: € 232,800,000.00 fully paid-in

Register of companies: Firenze 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 4 June 2020 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 5 June 2020 at 11:00 a.m., same location, to discuss and vote on the following agenda:

1. Approval of the Financial Statements at 31 December 2019; allocation of net profit for the year; resolutions pertaining thereto and resulting there from;
2. Approval of the Bank's remuneration and incentive policies: (i) Annual report on the remuneration policies and incentive policies for the 2019 fiscal year.
3. Nomination of the Board of Directors for the 2020-2022 three year period, pursuant to article 10 of the Articles of Association, subject to determination of the method to be used to elect the members and the respective remuneration. Resolutions pertaining thereto and resulting therefrom;
4. Nomination of the Board of Statutory Auditors and its Chairman for the 2020-2022 three year period, pursuant to article 10 of the Articles of Association, subject to determination of the method to be used to elect the members and the respective remuneration. Resolutions pertaining thereto and resulting therefrom;
5. Assignment of the mandate for statutory audit for the 2020-2028 nine year period.

**ATTENTION**

Shareholders are reminded that:

1) in accordance with article 18 of the Articles of Association and the Regulations for shareholders' meetings, corporate officers 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 29 May 2020.

The Chairman of the Board of Directors  
Paolo Regini

TX20AAA4255 (on payment).

# Corporate and Supervisory Officers



**BANCA**  
**CAMBIANO** 1884  
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## Corporate and Supervisory Officers

### Board of Directors

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

\* Member of the Executive Committee

\*\* Independent Member

### Board of Statutory Auditors

Chairman	<i>Stefano Sanna</i>
Acting Member	<i>Gaetano De Gregorio</i>
Acting Member	<i>Rita Ripamonti</i>
Alternate Member	<i>Edoardo Catelani (in office until 29 February 2020)</i>
Alternate Member	<i>Gianluca Musco</i>

### General Managers

Managing Director	<i>Francesco Bosio</i>
Vice Deputy Managing Director	<i>Bruno Chiecchio</i>
Vice Managing Director	<i>Giuliano Simoncini</i>

### Independent Auditor

*Baker Tilly Revisa S.p.A.*

# Distribution Network

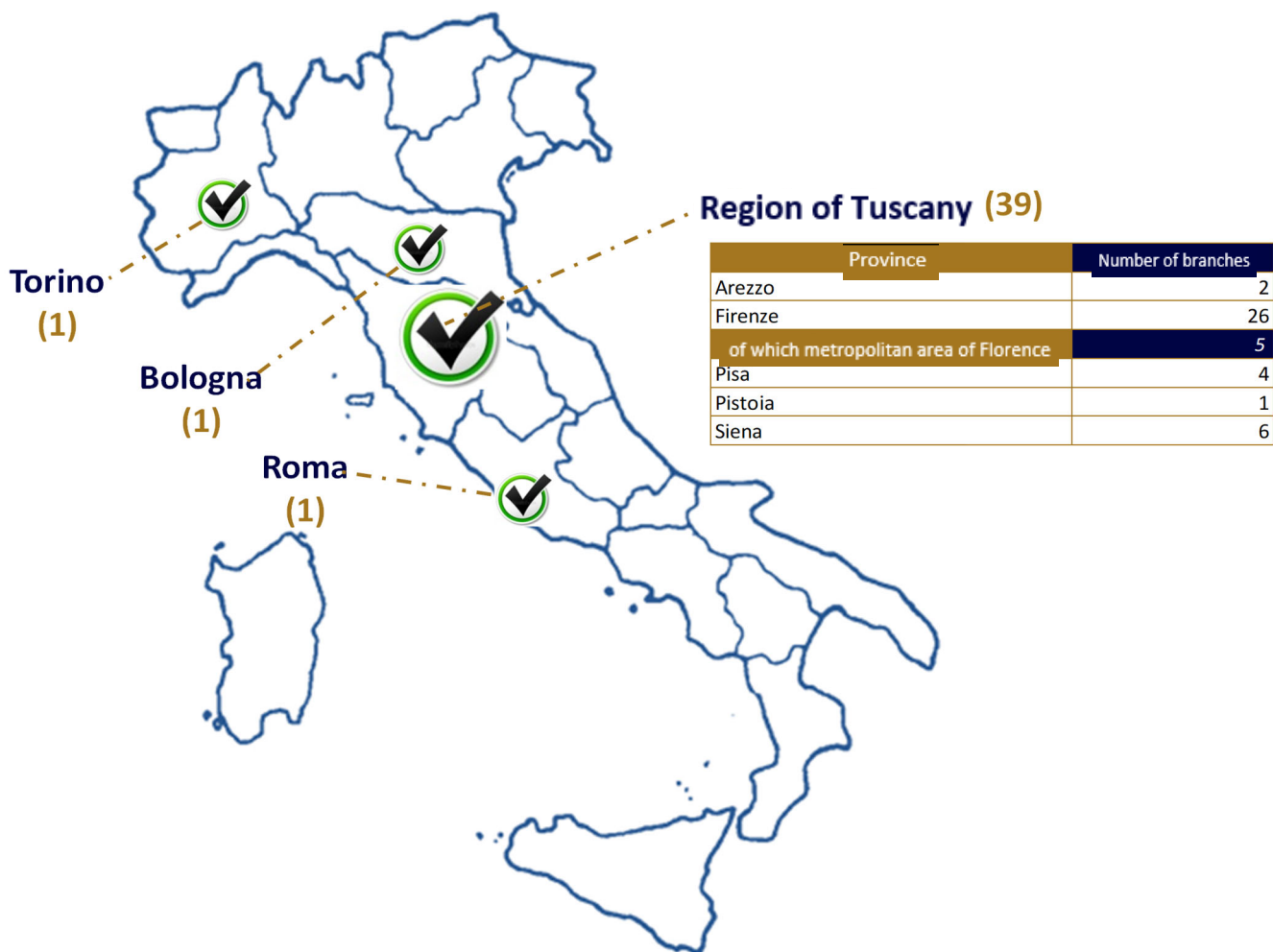


**BANCA  
CAMBIANO** 1884  
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The network of branches of Banca Cambiano 1884 Spa comprises n. 42 branches, of which n. 39 in the region of Tuscany, and 3 located in Turin, Bologna and Rome.

**Graph n. 1 – Network of branches of Banca Cambiano 1884 S.p.A.**



Territorial Area	Lending	% Lending	Direct Deposits	% Direct Deposits	% Lending / Direct Deposits	Indirect Deposits	% Indirect Deposits
Region of Tuscany	2,415,615,566	92.17%	2,378,457,611	91.13%	101.56%	988,912,266	97.06%
Bologna Branch	70,979,086	2.71%	82,840,644	3.17%	85.68%	21,261,259	2.09%
Turin Branch	64,921,391	2.48%	63,806,323	2.44%	101.75%	5,288,013	0.52%
Rome Branch	69,438,485	2.65%	84,896,858	3.25%	81.79%	3,367,434	0.33%
<b>Total</b>	<b>2,620,954,528</b>	<b>100.00%</b>	<b>2,610,001,436</b>	<b>100.00%</b>	<b>100.42%</b>	<b>1,018,828,972</b>	<b>100.00%</b>

# Report on Management



**BANCA  
CAMBIANO** 1884  
SOCIETÀ PER AZIONI



*Freedom is like air: we realize its true worth only when it becomes insufficient.*

Piero Calamandrei, Speech on the Constitution, 1955

Dear Shareholders,

the 2019 fiscal year closes the first three year period of the “way out”, during which BCC Cambiano and Banca AGCI merged their businesses. Thus, the mandate of the Board of Directors comes to term and the Business Plan created to execute the complex corporate operation draws to a close. It has been a challenging three year period, but one that has brought great satisfaction, confirming the soundness of the decision made to maintain our independence and continue to be the masters of our fate, while knowing full well that the economic scenario was not simple then and is even more difficult today, in light of the epidemiological emergency we are currently facing.

The bank’s business activity has continued, in accordance with its corporate purpose, in support of the real economy, through lending to families and creditworthy small and medium sized businesses, promoting their recovery and infusing new energy towards growth, with qualified banking and insurance services and products.

Below are the main company data:

### Main summary data

SUMMARY DATA AND INDEXES				
Data in €/000				
SUMMARY DATA AND ECONOMIC INDEXES		31/12/2019	31/12/2018	Variation %/ Delta
DATA	Interest income	60,112	63,004	-4.59%
	Commission income	28,063	27,608	1.65%
	Operating income	90,092	90,359	-0.30%
	Net income from financial assets	79,521	64,408	23.47%
	Total operating costs	61,735	59,618	3.55%
	of which personnel costs	27,133	26,210	3.52%
	of which other administrative costs	33,748	34,198	-1.32%
	Net result for the fiscal year	13,200	3,500	277.14%
INDEXES	Cost / Income (Operating costs / Operating income)	68.52%	65.98%	2.55%
	Interest income / employees (average value)	155	169	-8.04%
	Commission income / employees (average value)	73	74	-2.03%
	Operating income / employees (average value)	233	242	-3.90%

SUMMARY DATA AND CAPITAL RATIOS		31/12/2019	31/12/2018	Variation %/ Delta
DATA	Total assets	3,806,585	3,765,459	1.09%
	Total risk-weighted assets (RWA)	2,093,708	2,117,497	-1.12%
	Receivables from customers	2,557,996	2,488,318	2.80%
	of which non-performing loans	89,287	90,203	-1.01%



	Total financial assets	1,033,785	1,044,882	-1.06%
	Overall deposits	3,964,284	3,807,443	4.12%
	of which overall direct deposits	2,945,455	2,840,547	3.69%
	of which overall indirect deposits	1,018,829	966,896	5.37%
	Shareholders' statutory equity	181,655	165,316	9.88%
	Tier 1 capital (CET1)	239,686	230,882	3.81%
	Total own funds	296,076	275,281	7.55%
INDEXES	Lending / Overall direct deposits	98.68%	99.11%	-0.44%
	CET1 ratio	11.45%	10.90%	0.54%
	Tier 1 capital ratio	11.45%	10.90%	0.54%
	Total capital ratio	14.14%	13.00%	1.14%
	Net non-performing loans / Receivables from customers	3.49%	3.63%	-0.13%
	Receivables from customers / employees (average value)	6,610	6,671	-0.92%

STRUCTURAL DATA		31/12/2019	31/12/2018	% Variation
DATI	Employees (precise number)	392	388	1.03%
	Employees (average number)	387	373	3.75%
	Number of tellers	42	42	0.00%

The results illustrated above follow management actions centered on the quality of customer relations, priority given to consolidating our position in the new urban territories, our product catalogue and support to the local productive fabric.

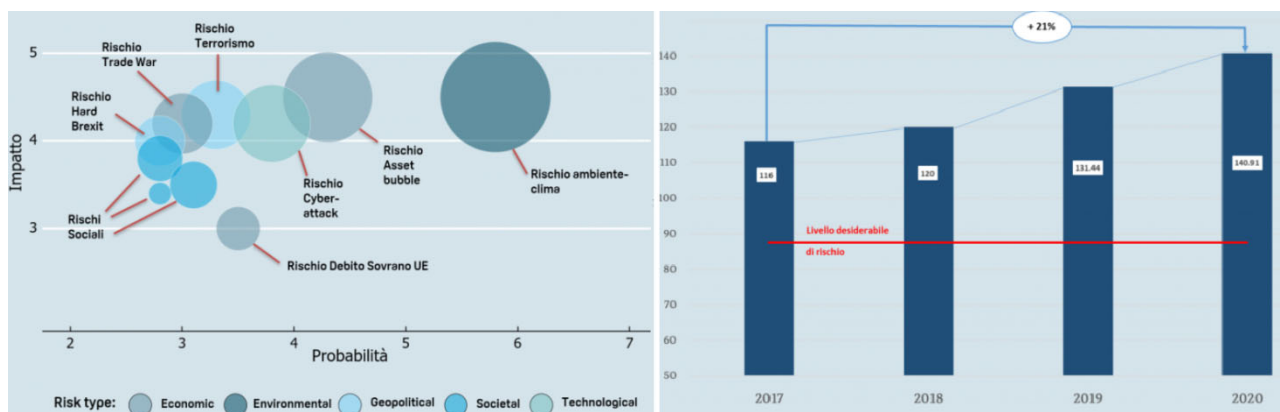
### Reference scenario

The reference scenario for this report on management is structurally different from that normally presented by the Bank in its financial statements and subdivided into: International, Italian and Tuscan context, and situations within the banking system. Indeed, the current scenario is engulfed by the widespread and as yet not clearly defined global health crisis deriving from the pandemic diffusion of the virus known as Coronavirus and scientifically identified as Covid-19.

First off, it must be noted that the crisis that has recently exploded full force (February 2020) unfolds in a historical period that is characterized by a high Smart Bubble Risk Index, that registers the record level for global risk, increasing by over 20% with respect to the levels recorded in 2017. The composition of this index is represented by "bubbles" that are all the greater based on their impact on the risk level. The graphical representation of the situation, taken from studies by the financial newspaper Sole24Ore, is inserted below.



Table n. 1– Smart Bubble Risk Index 2020



Source: The Smart Institute, the think tank of the Italian business community

As is known, Covid-19 began spreading initially in China, between the end of 2019 and the beginning of 2020, and then spread to Italy in February 2020 (the first European country to be severely hit) and, subsequently, to the rest of the globe. In order to contain the contagion, all nations involved in the pandemic, in various ways and following more or less rapid timelines, adopted procedures to limit contacts between individuals, by closing schools, cancelling fairs, cultural/sports events, restaurants, etc. Suffice it to consider that worldwide events with an extremely elevated economic return, such as the Champions League, Euro 2020, the NBA and the 2020 Tokyo Olympics, have all been suspended, postponed or actually cancelled. The whole of the restrictive measures has already heavily impacted the world economy, with significant repercussions on sectors subject to the most stringent restrictions and, generally speaking, on SMEs.

The main risk areas associated to this context are:

Table n. 2– Main risk areas

Risk	Overview
Stability of the banking sector	<b>Dynamics of deleveraging</b> of the banking sector, affected by the crisis due to the crash of consumption by <b>small commercial endeavors</b> . It is presumed that the impact refers to an increase of the level of <b>NPLs</b> and a decrease in lending.
Credit crunch	The principle risk, deriving from the consequences of the Covid-19 emergency, concerns the <b>difficulties on the part of SMEs</b> in terms of managing <b>liquidity</b> and difficulties in obtaining <b>credit lines</b> by the banking sector. On the <b>banking front</b> , liquidity will not fail, the major risk is instead a certain reluctance in granting credit following <b>the overall lowering of creditworthiness</b> (especially in companies); there will be a sharp <b>increase in risk premiums</b> .



## Trend of raw materials (Oil & GAS)

**Very negative impact, on a global level, associated to the fall in Chinese demand.** For Italy, a negative impact for the ENI group, but possible benefits for net buyer companies. Significant increase in the price of gold and refuge assets.

Source: Il Sole24Ore

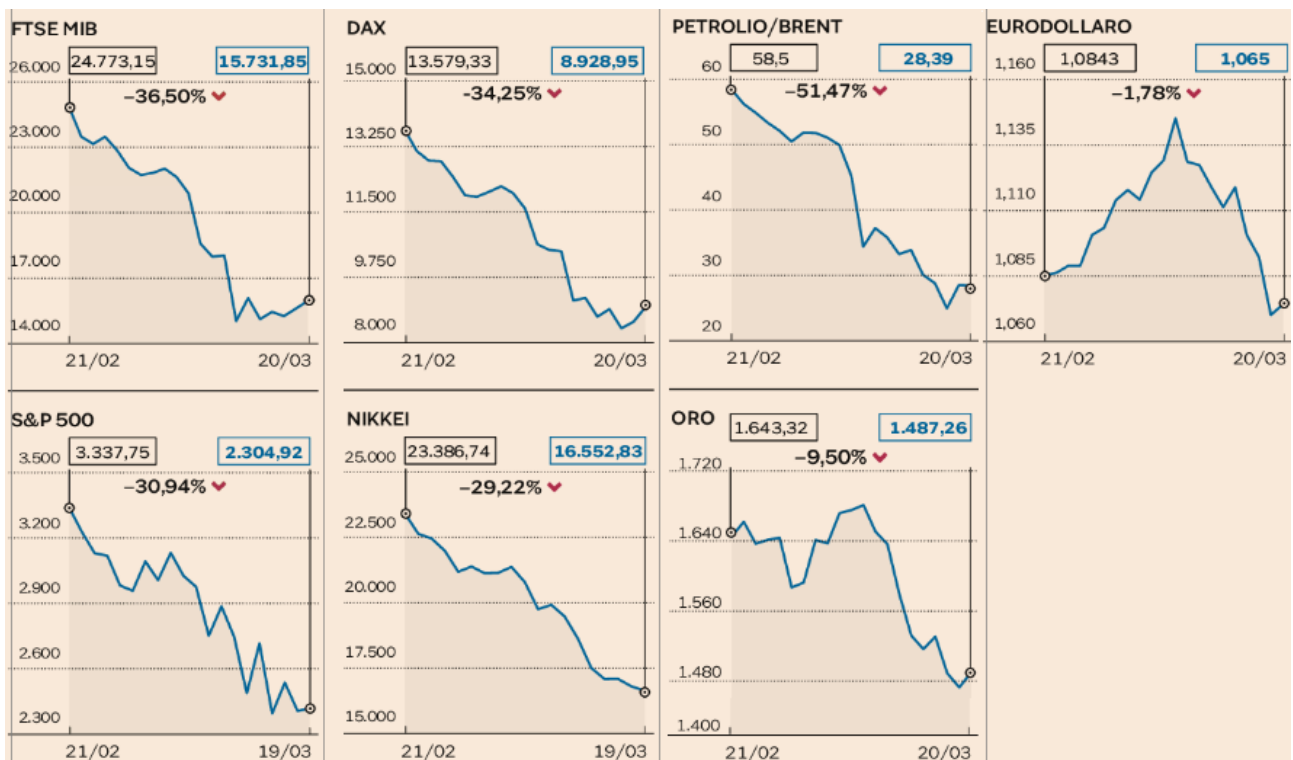
Regarding the liquid market, a strong “repricing” movement is underway, with clear signs of “risk-off”, as testified to by:

- Strong downwards trends of the global stock market;
- Drop in sovereign bond yields and marked increase of credit spreads;
- Increased appreciation (at least initial) of currencies considered «safe havens»;
- Marked appreciation (at least initial) of gold;
- Fall of oil prices.

This latter aspect (oil) could represent a very dangerous signal for the American economy which, as is known, is the leading driver for the world economy.

With reference to the above information, below are the most significant results and trends recorded for the monthly period of 21 February – 20 March 2020.

Figure – Market trend and volatility 21/02/20-20/03/20



Source: Il Sole24Ore





Hence, the volatility of the foreign exchange market remains high, with the VVix index – that measures the implications on the S&P500 – the highest it has been since 2008, in the 80s area. At that time, the tension relaxed only when the index dropped stably below the 40 point threshold, which is the borderline for extreme tension levels on the stock market.

The bond market is also showing signs of deep distortion with respect to an ordinary situation, with so-called safe bonds (USA and German Bund) having suffered a wave of sales. The yield on the ten-year USA bond, after having touched an historical low at 0.5%, has now stabilized at 1.1%.

That being said, as shown in the graphs of the figure above, other assets have also been deeply affected by the panic created by the pandemic: all traditional correlations have ceased to exist, with gold crashing, after an initial growth, substantially due to the “forced” sale to cover losses on equity. Therefore, while remaining a refuge asset, its value is starting to show consistent loss of wealth on the market.

In this context, in order to estimate the evolution over 2020 and subsequent financial periods, leading market operators have developed 3 macro scenarios, differentiated based on the gravity and length over time of the crisis. The summarized version of these scenarios, created by the McKinsey consulting company, are described following.

- ***Scenario A – Rapid recovery***

In this scenario, the contagion count continues to grow, given the extreme transmissibility of the virus. While this inevitably results in a strong public reaction and a drop in demand, other countries are nonetheless able to rapidly control the phenomenon witnessed in China, so that public preoccupation peaks relatively quickly (within one or two weeks). Given the low mortality rates in children and working age adults, we could also see stress levels start to drop even if the virus continues to spread. Adults of working age continue to be worried for their parents and older friends, neighbors and colleagues, and adopt measures to guaranty their safety. The elderly, especially those with pre-existing health issues, withdraw from many activities. **Many persons outside the transmission area continue their normal everyday life. This scenario presupposes that young people are affected** enough to change some daily habits (for example, more frequent hand washing), **but not enough to adopt more costly measures, such as staying home from work or keeping their children home from school.** A complication factor, not yet taken into examination, is that workers in the gig economy, such as riders, could continue to work despite the requests to stay home, to avoid loss of income. **This scenario also presupposes that the virus is seasonal.** In this scenario, the model developed in collaboration with Oxford Economics suggests that the growth of the global GDP for 2020 decreases with respect to previous consensus forecasts from approximately 2.5% to approximately 2%. The main factors are a drop in the Chinese GDP (from a growth of almost 6% to a growth of about 4.6 %), a 0.5% drop in the growth of GDP for eastern Asia and a decrease between 0.3% and 0.5% for other large world economies, with the American economy capable of recovering within the end of the first quarter. At that point, even China should be able to recover



the majority of production in plants; but consumer confidence will not be fully restored until the end of the second quarter.

### Scenario A hypothesis

- The response of public healthcare systems is substantially as efficient as in China.
- The virus is seasonal.
- The mortality rate is similar to that of common flu/vaccine.
- Localized social-economic impacts.
- Strong reaction by consumers with initial drop in aggregate demand.
- Work force changes habits and methods (smart working) but activities restart within a congruous lapse of time.

### Scenario A impacts

- The Chinese recovery is almost fully complete by Q2.
- There is a rebound effect of aggregate consumer demands following the drop recorded during the virus peak stage.
- United States and European economies suffer a negative impact until the end of Q1.
- Other world economies will slow down in Q1 with some cases until Q2.

- **Scenario B – Global slowdown**

This scenario presupposes that the majority of countries is not able to control the Covid-19 phenomenon as rapidly as China. **Transmission in Europe and in the United States is high but remains localized, partly because individuals, businesses and governments adopt strong counter-measures (including closing schools and cancelling public events).** For the United States, this scenario estimates between 10,000 and 500,000 total cases. The scenario also hypothesizes a greater epicenter, with 40-50% of cases, two or three smaller centers with 10-15% of all cases and a “long tail” of cities with a handful or just a few dozen cases. This scenario includes a certain degree of contagion in Africa, India and other densely populated areas, but **the transmissibility of the virus decreases naturally with the arrival of spring in the northern hemisphere. This scenario hypothesizes greater changes in personal daily habits. The strong reaction lasts from six to eight weeks in cities where transmission is active and from three to four weeks in neighboring cities.** The resulting shock to demand halves the growth of global GDP for 2020, between 1 and 1.5 percent, and drags the global economy to a slowdown, but not a recession. In this scenario, a global slowdown would have a scarce impact on small and medium enterprises. Less developed economies would suffer more than advanced economies. In this scenario, not all sectors are equally affected. The services sector, including aviation, travel and tourism, will probably be the most struck. Airlines have already experimented a strong drop in traffic on the more profitable International routes (especially in Asia-Pacific). In this scenario, Airlines loses the peak summer season, leading to bankruptcies (FlyBe, the regional United Kingdom airline, is a first example) and consolidation across the entire sector. A wave of consolidation was already possible in some parts of the sector; COVID-



19 will act as an accelerator. In terms of consumer goods, the strong drop in consumer demands will probably mean a delayed demand. This has implications for the numerous consumer companies (and their suppliers) that operate with limited operating capital margins. **But the demand will return from May to June, as anxiety for the virus decreases.** For the majority of other sectors, the impact is principally a function of the decreased internal and global GDP, rather than a direct impact due to modified behaviors. Oil and gas, for example, will be negatively affected, as the price of oil will remain lower than forecasted, until the third quarter.

#### Scenario B hypothesis

- The response of public healthcare systems is not as efficient as in China.
- The virus is seasonal.
- The mortality rate is generally higher than for the common flu; no vaccine or effective treatment is found in the short term.
- Social and economic impact in Europe and the United states, with spread to Africa, India and other areas.
- Big changes in daily habits of the population as regards workers, consumers, etc.

#### Scenario B impacts

- Chinese recovery is almost complete by Q2.
- The economies of the United States and Europe suffer a negative impact also in Q2, while other economies will have varying impact based on the response of their healthcare systems.
- Some sectors, such as aviation, health services, etc. will be struck hard following the extremely negative trend of the summer season.

- **Scenario C – Pandemic and recession**

**This scenario is similar to the global slowdown scenario, except for the fact that the virus is not seasonal (non affected by spring in the northern hemisphere). The number of cases continues to increase during the second and third quarter, potentially engulfing healthcare systems the world over and pushing the recovery of consumer confidence to the third quarter or even later.** This scenario translates into a recession, with a global growth in 2020 between –1.5 percent and 0.5 percent.

#### Scenario C hypothesis

- The response of public healthcare systems is not as efficient as in China.
- The virus is not seasonal and the transmission rate does not drop with the arrival of spring and high temperatures.
- The mortality rate is higher than for common flu due to the characteristics of the virus and/or the insufficient response of healthcare systems.
- Cases of new contagions continue to increase, despite virus containment measures, both in Q2 and in Q3.



- Huge changes in the daily habits of the population with reference to workers, consumers, etc.

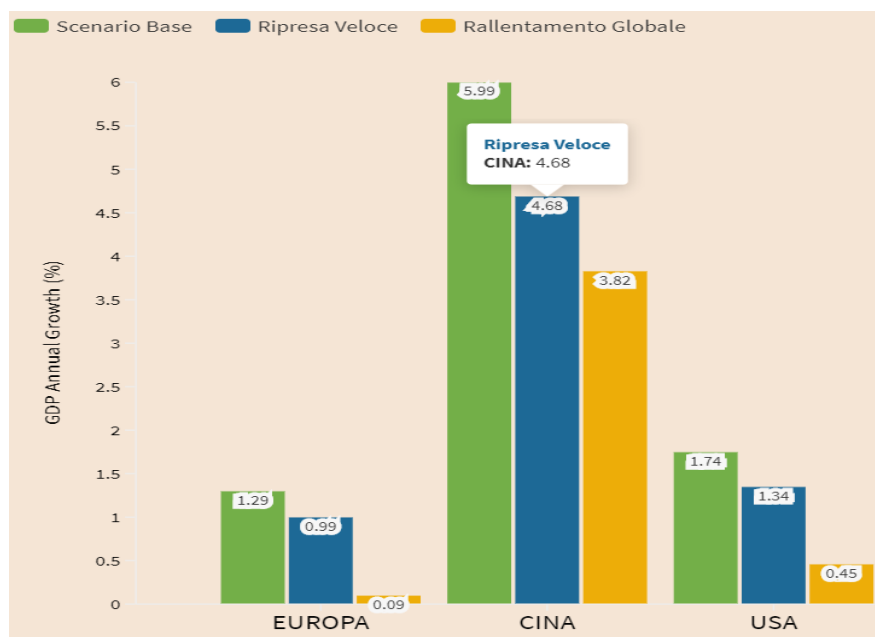
**Scenario C impacts**

- Chinese recovery is almost complete by Q3.
- There will be a global recession that will involve all or almost all world economies.
- The consumer confidence index will not return to pre-virus levels for the entire year or even longer.

\*\*\*

Starting from the so-called base scenario, for the first two McKinsey scenarios it is possible to trace an estimate of the impact on GDP, in the various global areas, as illustrated for example in the figure below, prepared by The Smart Institute, while forecasts for the third quarter remain tricky. On this point, although the leading market operators are in agreement regarding these estimates, it bears saying that even McKinsey underlined that the numbers in question were not to be considered actual forecasts. The rapid escalation witnessed over the month of March gives weight, for what it's worth, to the cautious view of the consulting firm.

Figure – Market trend and volatility 21/02/20-20/03/20



Source: The Smart Institute based on data from World Health Organization, Oxford Economics, McKinsey reports, Press articles

Nevertheless, as at the date of preparation of this report on management, the above vision of possible scenarios has become outdated, in that we are already inside scenario C (the worst-case scenario), with the virus being elevated to pandemic status on 11 March 2020 by the World Health Organization (WHO) and with all the governments of the leading world economies having already decided on strong measures limiting personal freedom (so-called lockdown), as well as extraordinary interventions in terms of procedures and amounts to sustain the economy (for example: Fed has cut interest rates to 0-0.25% and has launched a \$ 700 billion plan; Germany has allocated € 550 billion, with a guaranty of unlimited credit to German businesses, through the Kfw,



a bank that is the equivalent of our CdP; Italy has passed a number of decrees regarding deficit resources for € 55 billion, as well as the activating federal guarantees on financing for businesses).

**A zero growth rate for the entire world economy** (in line with McKinsey scenario C and optimistic with respect to the most recent forecasts) **would make 2020 the second worst year of the last half century**. In this stage, we have only to comprehend the timescale necessary to overcome the health crisis, which is in any event medium to long range, and the actual impact of the health emergency on world economies: **for Italy, updated forecasts** by leading institutions **estimate for 2020 a GDP contraction of 10%**.

**Given the extraordinary nature of the current economic context, the European Union is examining, for the first time in its history, a series of Community economic policy interventions through a revision of the MES with funds for the emergency and the possible structuring of Eurobonds, procrastinated up to now.**

In a scenario of this magnitude, the impact on the quality of credit of banking institutions will be considerable. On this matter the ECB, as may be gathered from reliable information sources, is considering modifying its previous policies regarding NPL management, in that policies centered exclusively on reducing stocks (read, assignment to speculators) would not be financially sustainable for the banking system and would therefore need to be integrated/replaced by a more comprehensive management.

### **The strategic development of the fiscal year**

The strategic choices that were planned and are progressively being executed are set forth in the 2020-2024 Business Plan, centered on the autonomy of the Gruppo Bancario Cambiano, which has as its main levers: (i) creating value over a medium/long-term, strengthening the bank's role as an independent institution on the territory, as the distinctive characteristic for stakeholders: customers (families and SME), shareholders, institutional investors, employees, and (ii) implementing a development model based on corporate vitality, centered on basing resource allocation on aptitude for income and sustainability, also in terms of the prudential ratio profiles.

Within this scope, primary importance is given to the measures aimed at preserving structural essentials, in particular as regards liquidity, capitalization, provisioning rates, financial leverage, productivity and efficiency indexes, and diversification of income sources.

It is necessary to look to the future, even while searching for the best possible terms for profitability, carrying on plans for company evolution and the associated investments, to further improve the service model, in order to render our competitive capacity more effective in terms of business, and our organization and work processes more efficient. Business actions will be further aimed at improving overall profitability (in the short and medium term) and the respective cost/income, increasing the volume of indirect deposits, especially in the managed sector, and reducing the incidence of overall gross and net impaired receivables.



The Bank confirms its intention to be a modern business bank, rapid and flexible, capable of competing at excellent levels on its markets of reference, and focused on building long-lasting relations with customers, to create reciprocal economic advantages.

The lines of action that have been identified are aimed at: (i) increasing opportunities for access to the capital market; (ii) strengthening the Bank's market positioning as the local bank for families and small-medium enterprises; (iii) reducing the risk profile through better credit management; (iv) shortening the distance with competitors in terms of risk profile.

As regards the inspection audit by Bank of Italy on the Gruppo Bancario Cambiano, which was concluded in April 2019, please be informed that in the month of June the audit report was transmitted and the audit closed without the application of any administrative measures or sanctions. In response to the findings and notes formulated by the audit, the Bank provided references, indicating the activities that had already been executed in the meantime and formulating a detailed plan of interventions in compliance with the findings and observations. This plan is now at an advanced stage of implementation and is subject to constant monitoring by the corporate structures. The Supervisory Authorities are kept systematically and continuously updated on the progress.

## Shareholdings

During the year, the Bank did not modify the structure and investment in own shares, which are represented by the controlled companies Cabel Leasing Spa and Immobiliare 1884 Srl – which are both, therefore, a part of the Cambiano Banking Group – and by two companies of the Cabel Network (Cabel Holding Spa and Cabel Industry Spa). The share positions are better summarized in the table below:

**Table n. 4 – Shareholdings**

SHARES						
<i>data in €/000</i>						
Name	31/12/2019		31/12/2018		Variations	% variations
	% share capital held	Book value	% share capital held	Book value		
1. Cabel Leasing s.p.a.	52.00%	10,117	52.00%	10,117	0	0.00%
2. Cabel Holding s.p.a. (*)	49.60%	21,712	49.60%	21,518	194	0.90%
3. Cabel Industry s.p.a.	18.00%	1,981	18.00%	1,927	54	2.81%
4. Immobiliare 1884 s.r.l.	100.00%	10,000	100.00%	10,000	0	0.00%
<b>Totals</b>		<b>43,810</b>		<b>43,561</b>	<b>249</b>	<b>0.57%</b>
(*) The vote that may be exercised during the shareholders' meeting is equal to the lower percent of 29.60%.						

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



While referring to the considerations set forth in the section “Proposal for allocation of the fiscal year profit”, please note that it has been decided to not distribute profits for controlled companies as well, in order to further strengthen resources of direct relevance.

In detail, considering the strategic importance of the controlled company Cabel Leasing S.p.A., please note that the net profit for the 2019 financial year was equal to 249 thousand euro, with a ROE of 1.3%.

Again as regards Cabel Leasing Spa, in the month of March 2020 – as better outlined in the section “Significant events after the close of the fiscal year” – the Bank increased its shareholding in the company in question from 52% to the current 90%.

As regards the shareholdings in the Cabel Network – Cabel Holding S.p.A. and Cabel Industry S.p.A – the partnership with Oracle, and the project for Cabel Industry SpA to localize the Oracle Flexcube Universal Banking platform (the most widely used banking software in the world) and provide interface services for the Italian market have proceeded as scheduled, and during 2019 further users of the platform have been added.

Lastly, as shown in the table, the cost and book value of shares in Cabel Holding S.p.A have remained unvaried, while the percent voting rights in Shareholders’ Meetings have dropped from 49.60% to 29.60%, due to the transfer of 20% of issued shares of the company to a specific Trust. The vehicle in question purchased the aforementioned shares in usufruct during the 3rd 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. From the point of view of an evaluation of the shareholding, against the events that have taken place in Invest Banca as illustrated following, we will proceed with the necessary quantifications, in compliance with both the assessments and estimations still underway and with the timeline requirements for weighing of asset components during the preparation stage of the 2020 report by Cabel Holding.

## **Commercial policies**

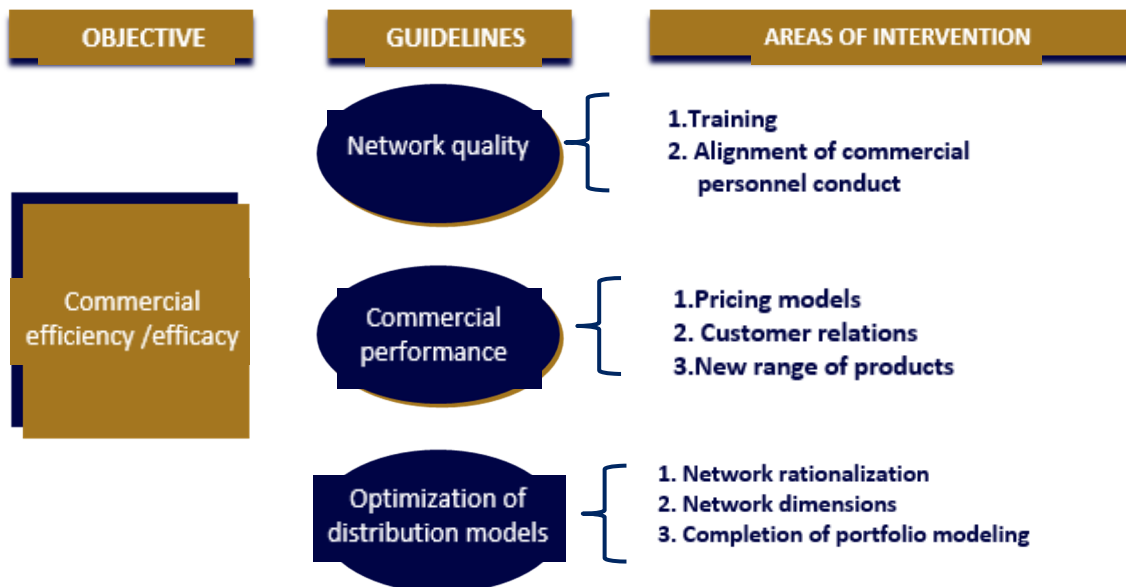
### *Commercial strategy*

In 2018, in line with the objectives set forth in the 2018-2020 Business Plan, the Bank continued to develop its product offering along the strategic lines outlined in the “way out” plan, continuing to develop the new business model in the distribution policy, while maintaining a strong presence in core territories and focusing attention on families and businesses.

Hence, in 2019, the business activity continued to focus on the main driver of rationalizing the commercial process, as previously defined and illustrated in figure n. 1). Interventions continued to be developed with the intent to: i) improve the quality of the network through numerous training activities; ii) increase performance by specializing products and services based on the various needs of target customers (during the year, well-structured business actions, focused on specific products and precise customer segments and selected based on specific characteristics, were also developed), as well as continue monitoring the progress towards meeting the objectives assigned

to the various branches; iii) optimize the distribution models by maximizing the efficiency and efficacy of the network, supported and reinforced by new channels and innovative sales methods.

**Figure n. 1** – Criteria for rationalization of the commercial process



In accordance with the strategic guidelines, 2019 was strongly focused on developing the integration between the physical network and the electronic channel used as an instrument to carry out transactions and communicated with customers. Important interventions were implemented for the ongoing technological upgrading of such channels and the continued improvement of security levels, with a particular focus on compliance with the new requirements regarding *Strong Customer Authentication* that became operational in September 2019.

From an organizational point of view, the Bank's commercial presence is ensured across five territorial areas with 42 branches/agencies. The network is supported by a *Development Team*, organized by type of customer, retail and corporate, with the aim of increasing customer satisfaction and incentivizing the creation of new relations. To this end, we are currently considering increasing the network by introducing the role of "retail managers", who will work transversally across branches, managing customers with the aim of building a one-to-one type of relationship capable of offering investment solutions modeled on individual customer profiles.

#### *Main interventions of 2019*

The main interventions and events during 2019 in the Bank's various operational sectors are illustrated following.

*In terms of organization:* in the Sales Department, systematic interfacing with the branch network was further intensified, to constantly monitor the progress towards reaching the objectives assigned and give value to suggestions made by the network, which tend to ensure that results reflect the local scenario. During 2019, use of a geomarketing application that provides a variety of functions within the scope of business planning, budget objective definition and monitoring and customer development, was perfected. In terms of business planning, in brief, this application provides a





series of analyses regarding the positioning of the bank in the various segments, the respective market opportunities based on the social and demographic characteristics and the economic context, and the potential for development based on the degree of saturation of the offer relating to banking and financial services. This application was also used to monitor results against the assigned budget objectives.

*In terms of business development:* the orientative criteria set forth below were used to define the objectives of the business plan, subdivided by customer macro-categories:

- Businesses/Corporate sector: the lending structure was examined in order to establish the product offer that best corresponds to the development logic of businesses, along with the aim of repositioning the duration of economic lending and focus on the technical forms of lending that result in a more limited capital absorption, including coverage by consortium guaranty. In terms of sector composition, the main Ateco lending sectors were analyzed and evaluated with respect to the system trend, analysis of the credit risk, yield and deterioration indexes.
- Private/Retail sector: the product and services offer was further increased in order to better meet the needs of every customer segment. Attention continued to be focused on the customer segment that is most sensitive to the use of new technologies, developing the implementation of specific services for that segment, along with communication methods more appropriate to its characteristics.

In terms of assigning objectives across the network, data provided by the aforementioned remarketing application were used, taking into account the positioning and performance of the bank in the various markets and the market potentials and opportunities, along with the possible qualitative evaluations associated to, for example, the Bank's organizational dynamics or strategic policies.

*Branch profit and loss account and internal transfer rates:* during 2019, the Bank kept the criteria adopted the previous year as regards the definition of internal transfer rates. With the aim of carrying out a more detailed data analysis aimed at determining the profit and loss account per branch, a new criterion was adopted for allocation across branches of the item "financial assets measured at amortized cost" inherent to the value adjustments/recoveries for credit risk; these were allocated based on the actual variations in ECL values (*Expected Credit Loss*) for each branch during the reference period, the value being zero for positive value recoveries.

*Customer segmentation:* at the end of 2019 the process for the introduction of customer segmentation was started, in order to continue to consolidate a customer-oriented approach that focuses on customer needs by offering targeted solutions, the primary objectives being customer satisfaction and loyalty. Therefore, we started elaborating a segmentation based on qualitative and quantitative criteria, for both the private and retail sectors.

#### *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-centered” business logic and closer to a “customer-centered” logic to consolidate our presence on the markets and improve customer relations, aiming at high standards in terms of services offered, also by partnering with third party companies that are sector leaders.

In 2019, the range of our offering (lending products and overall deposits) was enriched by the addition of:

- *Business loans products*: a medium-long term type of financing in favor of businesses in the agricultural-food product sector was activated, aimed at tangible and intangible investments, supported by guaranty by the European Investments Fund. This product is characterized by its elasticity and flexibility, allowing branches to immediately perfect the transactions without the need for additional procedures by the Fund, and it completes the agreement already in place with the EIF for financing to businesses in other sectors.
- *Asset management products*: the line of asset management products was remodeled, striving for maximum quality in terms of the solutions offered to customers and to meet new market needs.
- *Insurance investment products*: additional, new products were activated in collaboration with our partner insurance companies, aimed primarily at private customers, some of which are also offered in combination with the Bank’s direct lending products, in order to promote diversified investment solutions.
- *Insurance products for the business sector*: the policy “D&O (Directors & Officers)” was launched, a product that offers insurance coverage for civil liability of administrators, statutory auditors, general managers, directors with power of attorney granted by BoD and employees with functions equivalent to those of administrators. This is undoubtedly a solution that meets an important need expressed by many businesses.
- *E-money sector*: in November 2019, in collaboration with our partner Nexi, the Apple Pay service was launched for all International credit and debit cards issued by the Bank. This service allows owners of Apple devices to virtualize the card on their devices and purchase in stores, through apps and on the Web in an easy and secure way, without the need to materially have the card in hand. Apple Pay completes the offer of mobile payment services already available (Samsung Pay, Google Pay, Garmin Pay).

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.



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, in 2019 the financing activity aimed mainly at families continued; the volume of residential mortgage transactions stipulated during the year remained stable as compared to the previous financial period, while there was a slight reduction in average rates, in line with the market rate dynamics and strong competitive pressure in this sector.

The table below illustrates the positive results achieved in 2019 terms of commercial development and market positioning in the territories of reference.

**Table n. 5 – Market shares on deposits**

MARKET SHARES ON DEPOSITS			
Territorial area	31/12/2019	31/12/2018	% Variation
Region of Tuscany	3.169%	3.095%	2.405%
Total Province of Florence	7.952%	7.454%	6.683%
BARBERINO VAL D'ELSA (*)	28.022%	24.355%	15.057%
GAMBASSI TERME (*)	12.172%	12.177%	-0.041%
FIGLINE E INCISA VALDARNO	3.376%	2.985%	13.112%
CASTELFIORENTINO	68.285%	66.806%	2.214%
CERRETO GUIDI	24.083%	26.719%	-9.867%
CERTALDO	49.042%	52.423%	-6.449%
EMPOLI	28.153%	29.717%	-5.264%
FIRENZE	3.943%	3.223%	22.326%
FUCECCHIO	20.278%	19.595%	3.484%
GREVE IN CHIANTI	8.810%	6.541%	34.696%
MONTAIONE	51.379%	43.911%	17.006%
MONTELUPO FIORENTINO	29.655%	26.599%	11.490%
MONTESPERTOLI	38.768%	36.877%	5.129%
SCANDICCI	9.221%	10.112%	-8.807%
SESTO FIORENTINO	1.581%	1.271%	24.364%
TAVARNELLE VAL DI PESA	7.163%	6.777%	5.693%
VINCI	23.233%	24.056%	-3.420%
Total AREZZO:	0.546%	0.523%	4.321%
AREZZO	0.590%	0.499%	18.193%
SAN GIOVANNI VALDARNO	4.795%	5.072%	-5.462%
Total PISA:	1.430%	1.320%	8.363%
CASTELFRANCO DI SOTTO	38.449%	33.722%	14.018%
SAN MINIATO	7.184%	3.581%	100.610%
Total PISTOIA	0.795%	0.798%	-0.343%
PISTOIA	1.978%	1.957%	1.064%
Total SIENA:	2.908%	3.198%	-9.077%
CASTELLINA IN CHIANTI	37.665%	35.837%	5.102%
COLLE DI VAL D'ELSA	17.138%	16.527%	3.694%
POGGIBONSI	25.279%	25.581%	-1.179%
SAN GIMIGNANO	33.221%	30.622%	8.489%
Metropolitan city of Turin	0.165%	0.175%	-5.583%
Metropolitan city of Bologna	0.339%	0.181%	87.213%
Metropolitan city of Rome	0.018%	0.012%	52.788%
<b>Total Italian banking system</b>	<b>0.155%</b>	<b>0.151%</b>	<b>2.480%</b>

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



Table n. 6 – Market shares on lending

MARKET SHARES ON LENDING			
Territorial area	31/12/2019	31/12/2018	% Variation
Region of Tuscany	2.468%	2.170%	13.752%
Total Province of Florence	4.231%	3.687%	14.741%
BARBERINO VAL D'ELSA (*)	29.685%	26.099%	13.741%
GAMBASSI TERME (*)	11.078%	10.422%	6.296%
FIGLINE E INCISA VALDARNO	6.385%	7.019%	-9.026%
CASTELFIORENTINO	66.405%	58.062%	14.369%
CERRETO GUIDI	18.051%	20.093%	-10.165%
CERTALDO	34.745%	32.797%	5.940%
EMPOLI	25.822%	22.614%	14.187%
FIRENZE	1.276%	1.021%	25.008%
FUCECCHIO	14.050%	14.618%	-3.884%
GREVE IN CHIANTI	15.651%	11.990%	30.537%
MONTAIONE	32.712%	39.449%	-17.078%
MONTELUPO FIORENTINO	22.286%	22.856%	-2.494%
MONTESPERTOLI	38.219%	37.294%	2.480%
SCANDICCI	9.626%	8.775%	9.703%
SESTO FIORENTINO	1.817%	1.702%	6.778%
TAVARNELLE VAL DI PESA	14.446%	13.711%	5.359%
VINCI	16.365%	18.842%	-13.145%
Total AREZZO:	1.839%	1.416%	29.850%
AREZZO	1.705%	1.162%	46.757%
SAN GIOVANNI VALDARNO	14.629%	12.426%	17.730%
Total PISA:	1.441%	1.373%	4.974%
CASTELFRANCO DI SOTTO	37.403%	38.581%	-3.052%
SAN MINIATO	7.367%	5.965%	23.500%
Total PISTOIA	2.245%	1.903%	17.994%
PISTOIA	5.151%	4.202%	22.581%
Total SIENA:	2.403%	2.142%	12.162%
CASTELLINA IN CHIANTI	31.282%	26.751%	16.938%
COLLE DI VAL D'ELSA	17.290%	17.198%	0.537%
POGGIBONSI	20.479%	18.325%	11.757%
SAN GIMIGNANO	25.173%	23.652%	6.430%
Metropolitan city of Turin	0.098%	0.096%	1.897%
Metropolitan city of Bologna	0.505%	0.393%	28.516%
Metropolitan city of Rome	0.018%	0.019%	-6.912%
<b>Total Italian banking system</b>	<b>0.152%</b>	<b>0.150%</b>	<b>0.002%</b>

The overall value showing market shares substantially unvaried is to be taken as balance value net of returns on installment transactions that took place during the financial year.

### Credit and financial brokerage

In 2019, 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 2019 and 2018.

### Overall deposits, direct deposit and indirect funding

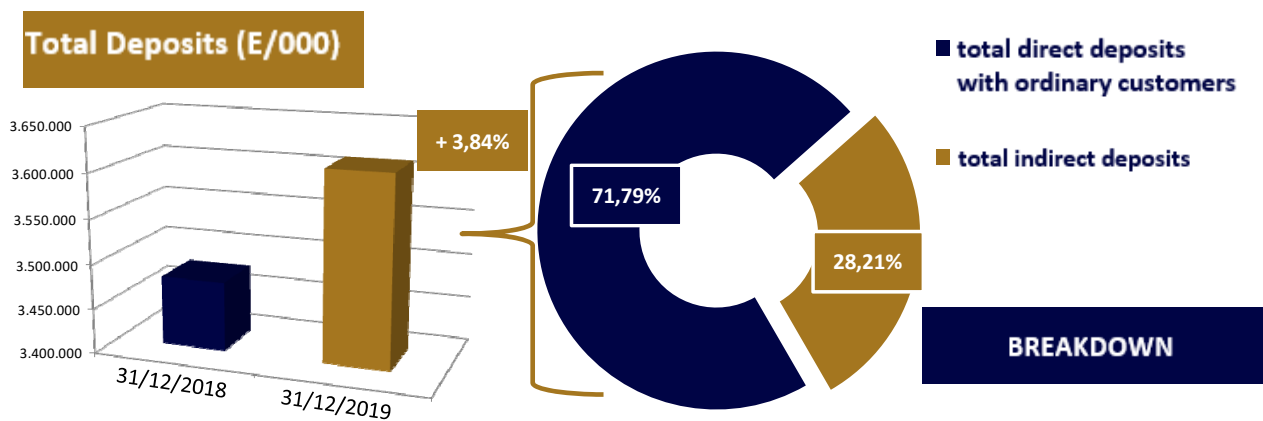


Table n. 7 – Overall deposits

OVERALL DEPOSITS				
<i>data in €/000</i>				
Description	31/12/2019	31/12/2018	Variation	% Variation
Payables to customers	2,773,316	2,649,018	124,297	4.69%
Outstanding securities	172,139	191,529	-19,390	-10.12%
Total overall direct deposits	2,945,455	2,840,547	104,908	3.69%
of which overall direct deposits with counterparties (e.g. CC&G)	353,113	329,887	23,226	7.04%
<b>Total overall direct deposits with ordinary customers</b>	<b>2,592,342</b>	<b>2,510,660</b>	<b>81,682</b>	<b>3.25%</b>
Indirect – Administered	490,915	506,486	-15,572	-3.07%
Indirect – Funds	58,932	47,730	11,202	23.47%
Indirect – GPM	21,099	13,601	7,498	55.13%
Indirect – Insurance sector	447,883	399,078	48,805	12.23%
<b>Total overall indirect deposits</b>	<b>1,018,829</b>	<b>966,896</b>	<b>51,933</b>	<b>5.37%</b>
<b>Total overall deposits</b>	<b>3,611,171</b>	<b>3,477,556</b>	<b>133,616</b>	<b>3.84%</b>

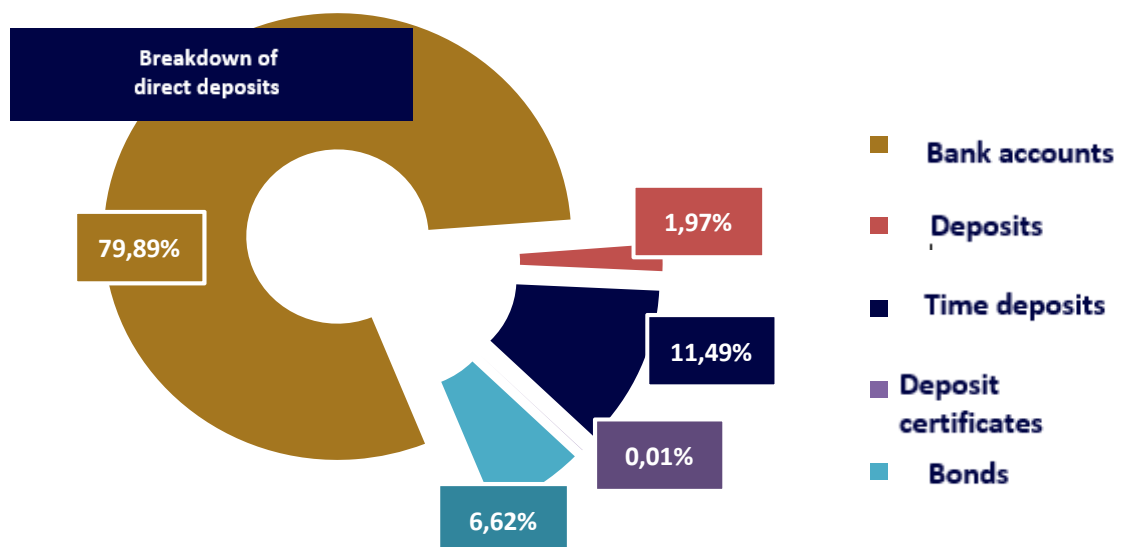
Types of transactions/values	31/12/2019	31/12/2018	Variation	% Variation
1. Current accounts	2,071,081	1,933,796	137,285	7.10%
2. Deposits	51,155	55,417	-4,262	-7.69%
3. Time deposits	297,967	315,452	-17,485	-5.54%
4. Liabilities referred to transferred assets	0	0	0	0
5. Repo with ordinary customers	0	14,466	-14,466	-100.00%
6. Deposit certificates	428	763	-335	-43.93%
7. Securities	171,712	190,766	-19,054	-9.99%
<b>Total overall ordinary deposits</b>	<b>2,592,342</b>	<b>2,510,660</b>	<b>81,682</b>	<b>3.25%</b>
8. Repo with Clearinghouse and Guaranty Fund	333,563	322,850	10,713	3.32%
9. Funding from Deposits and Loan Fund	19,550	7,038	12,512	177.79%
<b>Total other overall direct deposits</b>	<b>353,113</b>	<b>329,887</b>	<b>23,226</b>	<b>7.04%</b>
<b>Total (book value)</b>	<b>2,945,455</b>	<b>2,840,547</b>	<b>104,908</b>	<b>3.69%</b>

Total overall deposits (direct, administered and insurance) at December 2019 was 3,611 million euro, increased as compared to the same date in 2018 with an increase of 134 million euro (+ 3.84%).

**Graph n. 4 – Overall deposits**


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 3.25% (+81.7 million euro), while smaller increases were recorded in terms of absolute value on overall deposits with institutional counterparties (+23.2 million euro), equal to a percent variation that is, nonetheless, significant (7.04%).

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

**Graph n. 5 – Breakdown of overall direct deposits**


The total of overall indirect deposits was 1,018.8 million euro, marking an increase of 51.9 million euro (+ 5.37% with respect to 2019). This increase is particularly significant if taken together with the double-digit increases recorded by the Bank in this segment over the previous two-year period, which lead to the consolidation of the Bank's market share. In summary, as compared to the

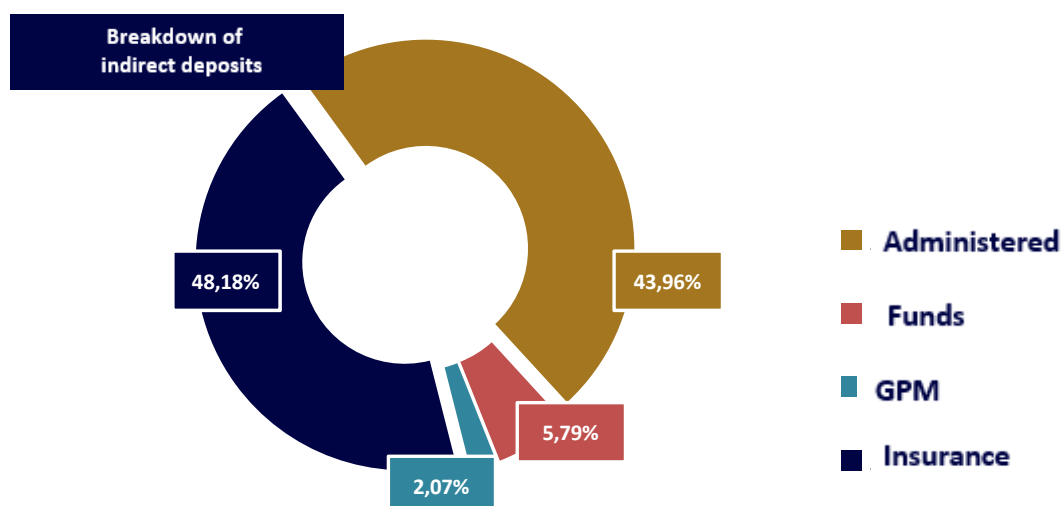


moderate trends recorded by competitors, business efforts have produced a 99.63% growth over a three year period, with an overall increase of 508.5 million euro as compared to data at 31 December 2016.

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 favor 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 favored 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.

The current breakdown of overall indirect deposits is illustrated in the graph below:

**Graph n. 6 – Breakdown of overall indirect deposits**



## Lending

At the end of December 2019, receivables from customers, net of doubtful loans, amounted to 2,558 million euro, an increase of 69.6 million euro with respect to 2018 data (+2.80%).

**Table n. 8 – Economic lending to customers**

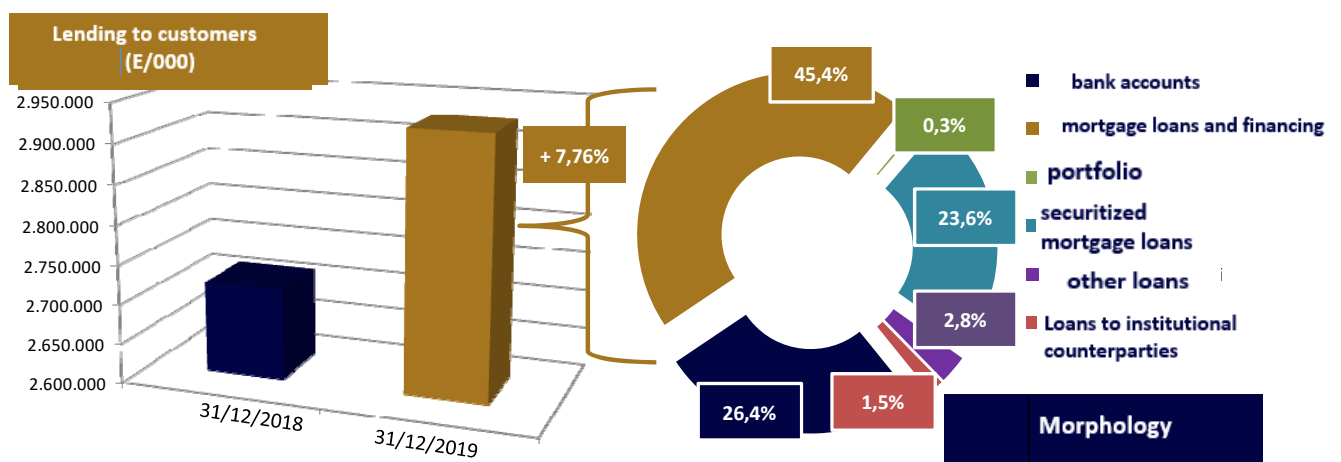
LENDING				
<i>data in €/000</i>				
Types of transactions/values	31/12/2019	31/12/2018	Absolute Var.	% Var.
1. Current accounts	666,773	671,481	-4,708	-0.70%
2. Mortgage loans and financing	1,146,581	1,325,187	-178,606	-13.48%
3. Portfolio	7,556	2,477	5,079	205.09%
4. Securitized mortgage loans	0	0	0	0
5. Self-securitized mortgage loans	594,781	385,021	209,759	54.48%
6. Other financing	71,445	70,179	1,267	1.80%
7. Gross non-performing loans	171,904	199,927	-28,024	-14.02%
8. Write-downs on non-performing loans	-82,616	-109,679	27,063	-24.67%



9. Overall write-downs	-56,317	-71,095	14,778	-20.79%
<b>Total net effective economic lending to customers</b>	<b>2,520,105</b>	<b>2,473,498</b>	<b>46,608</b>	<b>1.88%</b>
10. Receivables from Pontormo RMBS	27,834	9,953	17,881	179.66%
11. Receivables from Poste Italiane S.p.A.	490	196	294	149.89%
12. Receivables from C.C. & G. Fund	9,566	4,671	4,895	104.81%
13. Receivables from Deposits and Loan Fund	0	0		
<b>Total other net economic lending</b>	<b>37,890</b>	<b>14,820</b>	<b>23,070</b>	<b>155.67%</b>
<b>Total (book value - Receivables from customers, amortized cost)</b>	<b>2,557,996</b>	<b>2,488,318</b>	<b>69,678</b>	<b>2.80%</b>
Receivables from customers – HTC Securities	368,943	227,742	141,201	62.00%
<b>Total balance sheet item 40.b Receivables from customers</b>	<b>2,926,938</b>	<b>2,716,060</b>	<b>210,879</b>	<b>7.76%</b>

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

**Graph n. 7 – Net economic lending**



At 31 December 2019, the indicator for lending on overall direct deposits was equal to 98.68%, slightly lower (- 0.44%) that the value recorded at the end of 2018 (99.11%).

The analysis of the breakdown by residual life on Bank lending illustrated below shows that, in line with previous years, the Bank prudentially prefers granting shorter terms loans to businesses, while for the private sector (families) – also due to the weight of home mortgage loans – the amortization plans are broader.

**Table n. 9 –Lending by residual life**

CURRENT SCHEDULING	LENDING IN EURO	Percent
On sight	511,037,650	19.17%
One week	105,498,364	3.96%
Two weeks	23,135,249	0.87%
One month	24,076,289	0.90%
Three months	197,796,226	7.42%
Six months	120,767,259	4.53%
One year	138,267,473	5.19%
18 Months	114,700,548	4.30%





CURRENT SCHEDULING	LENDING IN EURO	Percent
2 Years	105,074,404	3.94%
3 Years	207,825,953	7.80%
4 Years	159,189,999	5.97%
5 Years	139,494,606	5.23%
7 Years	187,347,817	7.03%
10 Years	221,191,122	8.30%
15 Years	231,834,644	8.70%
16 Years	30,335,842	1.14%
Over 20 years	148,134,948	5.56%
<b>TOTAL</b>	<b>2,665,708,392</b>	<b>100.00%</b>

During 2019, 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 allocation activities, reinforcing agreements with the main Credit Consortia in the areas of reference, and further developing collaborations with local associations.

On this point, the breakdown of economic lending by economic sector of reference is illustrated in the table below.

**Table n. 10 – Lending by economic sector**

LENDING BY ECONOMIC SECTOR			
Sector of reference	31/12/2019	31/12/2018	Delta %
<b>A AGRICULTURE, FORESTRY AND FISHING</b>	<b>4.40%</b>	<b>4.20%</b>	0.20%
<b>B MINING AND QUARRYING PRODUCTS</b>	<b>0.78%</b>	<b>0.80%</b>	-0.02%
<b>C MANUFACTURING PRODUCTS</b>	<b>28.05%</b>	<b>26.30%</b>	1.75%
10 FOOD INDUSTRY	2.85%	3.50%	-0.65%
11 BEVERAGES INDUSTRY	0.29%	0.30%	-0.01%
12 TOBACCO INDUSTRY			0.00%
13 TEXTILE INDUSTRY	1.22%	1.40%	-0.18%
14 WEARING APPAREL INCLUDING LEATHER AND FUR	0.92%	1.30%	-0.38%
15 LEATHER AND RELATED ITEMS	2.78%	3.00%	-0.22%
16 WOOD AND WOOD AND CORK PRODUCTS (EXCLUDING FURNITURE); ARTICLES MADE OF STRAW AND PLAINTING MATERIALS	1.07%	1.10%	-0.03%
17 PAPER AND PAPER PRODUCTS	2.12%	1.90%	0.22%
18 PRINTING AND REPRODUCTION OF RECORDED MEDIA	0.36%	0.40%	-0.04%
19 COKE AND REFINED PETROLEUM PRODUCTS			0.00%
20 CHEMICAL PRODUCTS	0.46%	0.50%	-0.04%
21 BASIC PHARMACEUTICAL PRODUCTS AND PHARMACEUTICAL PREPARATIONS	0.14%	0.10%	0.04%
22 RUBBER AND PLASTIC PRODUCTS	1.19%	1.30%	-0.11%
23 OTHER NON-METALLIC PRODUCTS	0.90%	1.00%	-0.10%
24 METAL PRODUCTS	2.60%	0.90%	1.70%
25 METAL PRODUCTS (EXCLUDING MACHINERY AND EQUIPMENT)	2.78%	2.70%	0.08%
26 COMPUTER, ELECTRONIC AND OPTICAL PRODUCTS; ELECTRO-MEDICAL AND MEASURING EQUIPMENT, WATCHES AND CLOCKS	0.49%	0.60%	-0.11%
27 ELECTRICAL EQUIPMENT AND NON-ELECTRIC DOMESTIC APPLIANCES	0.50%	0.60%	-0.10%
28 MACHINERY AND EQUIPMENT N.E.C,	1.23%	2.00%	-0.77%
29 MOTOR VEHICLES, TRAILERS, SEMI-TRAILERS	0.07%	0.10%	-0.03%
30 OTHER TRANSPORT VEHICLES	0.05%	0.00%	0.05%
31 FURNITURE MANUFACTURING	0.74%	0.80%	-0.06%
32 OTHER MANUFACTURING INDUSTRIES	4.66%	2.30%	2.36%
33 REPAIR, MAINTENANCE AND INSTALLATION OF MACHINERY AND EQUIPMENT	0.62%	0.70%	-0.08%
<b>D ELECTRICITY, GAS, STEAM AND AIR-CONDITIONING SUPPLY</b>	<b>1.08%</b>	<b>1.10%</b>	-0.02%



LENDING BY ECONOMIC SECTOR			
Sector of reference	31/12/2019	31/12/2018	Delta %
E WATER SUPPLY; SEWAGE SYSTEMS, WASTE MANAGEMENT AND REMEDIATION PRODUCTS	1.00%	0.90%	0.10%
F BUILDING INDUSTRY	10.99%	12.50%	-1.51%
G WHOLESALE AND RETAIL SALES AND MOTOR VEHICLE AND MOTORCYCLE REPAIRS	20.05%	19.90%	0.15%
H TRANSPORT AND STORAGE	2.36%	1.90%	0.46%
I ACCOMODATION AND RESTAURANT SERVICES	6.42%	6.40%	0.02%
J INFORMATION AND COMMUNICATION SERVICES	1.25%	1.10%	0.15%
K FINANCIAL AND INSURANCE ACTIVITIES	0.05%	0.00%	0.05%
L REAL ESTATE ACTIVITIES	13.38%	16.20%	-2.82%
M PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES	4.93%	3.90%	1.03%
N RENTAL SERVICES, TRAVEL AGENCIES, BUSINESS SUPPORT SERVICES	1.65%	1.70%	-0.05%
O PUBLIC ADMINISTRATION AND DEFENSE, OBLIGATORY SOCIAL INSURANCE	0.01%	0.00%	0.01%
P SCHOOLING	0.25%	0.20%	0.05%
Q HEALTHCARE AND SOCIAL SERVICES	2.05%	1.30%	0.75%
R ARTS, SPORTS, ENTERTAINEMENT AND RECREATION	0.36%	0.70%	-0.34%
S OTHER SERVICES	0.93%	1.00%	-0.07%
T FAMILY AND HOUSEHOLD ACTIVITIES, SUCH AS EMPLOYERS OF DOMESTIC HELP; PRODUCTION OF UNDIVERSIFIED GOODS AND SERVICES FOR PERSONAL USE ON BEHALF OF FAMILIES AND HOUSEHOLDS	0.00%	0.00%	0.00%
U ORGANIZATIONS AND ORGANISMS OUTSIDE THE TERRITORY	0.00%	0.00%	0.00%
<b>TOTAL</b>	<b>100.00%</b>	<b>100.00%</b>	

### Credit quality

In a fragile economic context, particular attention is 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 table below contains the summarized data.

**Table n. 11 – Credit quality indexes**

CREDIT QUALITY INDEXES			
	31/12/2019	31/12/2018	Delta
<b>% OF NET RECEIVABLES</b>			
% Net non-performing loans on total net receivables	3.49%	3.63%	-0.13%
% Net watchlist on total net receivables	3.09%	3.87%	-0.78%
% Gross overdue/overdrawn accounts on total net receivables	0.33%	0.18%	0.15%
% Total net impaired receivables on total net receivables	6.91%	7.67%	-0.77%
<b>% OF GROSS RECEIVABLES</b>			
% Gross non-performing loans on total gross receivables	6.37%	7.49%	-1.11%
% Gross watchlist on total gross receivables	4.57%	5.93%	-1.36%
% Gross overdue/overdrawn accounts on total gross receivables	0.36%	0.19%	0.16%
% Total impaired receivables on total gross receivables	11.30%	13.61%	-2.32%
<b>% OF HEDGES</b>			
% Hedges on non-performing loans	48.06%	54.87%	-6.81%
% Hedges on other impaired receivables	34.16%	38.38%	-4.21%



CREDIT QUALITY INDEXES			
	31/12/2019	31/12/2018	Delta
% Hedges on total impaired receivables	42.00%	47.45%	-5.45%
% Hedges on receivables in bonis	0.46%	0.36%	0.10%

As may be deduced from the table above, the Bank's asset quality is characterized by an incidence of gross impaired receivables equal to 11.30%, lower than the 13.61% (-232 bp) measured in December 2018 for the Bank, and consistent with the trend calculated for the whole of so-called *less significant* Banks, as per data updated to June 2019, which has gone from 6.3% to 5.7% (cfr. Report on financial stability n. 2 of November 2018 issued by Bank of Italy).

The decrease in the weight of NPL on overall credit lending was achieved by the Bank and by the system through significant disposals on the market of the oldest, and on average better hedged, impaired receivables. This operation led to a reduction in the coverage rates of impaired receivables for both our Bank and for Italian banks in general, respectively by 5.4% and 1.4%, mainly influenced by the lower coverage of residual non-performing loans, which decreased respectively to 48.1% and 59.9% of gross receivables.

In order to obtain such a significant downsizing in problem loans, in the 2018-2019 two-year period, the Bank implemented a series of interventions that move in the direction indicated by Italian and European Supervisory Authorities, including two NPL transfer transactions perfected in May 2018 and October 2019, and the definition of a more incisive de-risking policy. Therefore, the Bank's Board of Directors considered it appropriate to transfer a significant portion of the NPL portfolio, for a total of 209 Million/€ (137 Million/€ gross, scheduled in 2017 and 71.9 Million/€ in 2018 with the re-opening of the FTA terms) which then contributed to the determination of the first application Reserve of the IFRS 9 Accounting Principle for a total of 64.3 Million/€. In May 2018, the Bank perfected the credit transfer without recourse for a part of the aforementioned NPL portfolio for 93.5 Million/€ gross. Moreover, during the 2018 financial year, credit exposures included in the transfer perimeter were closed, for a total of 16 Million/€. The average price obtained (30.58%) was consistent with the Bank's recovery rates, and higher than average market rates (as illustrated in the document "Financial Stability and Vigilance Notes n. 11" of November 2017). On 3 October 2019, the Bank perfected a second credit transfer without recourse of part of the aforementioned NPL portfolio for 62.5 Million/€ gross (amount of principal and expenses). In this second transfer transaction, the loss on disposal booked in the 2019 financial statements, calculated as the difference between the net value of the transferred receivables (equal to 15.9 Million/€ at 02.10.2019) and the transfer price equal to 12.3 Million/€ (19.73% of the gross value of the transferred receivables) was equal to 3.5 Million/€, also considering the payment by the transferee of a one-off consideration to partially cover the expenses, costs, charges, duties and/or taxes, equal to 60,000.00 euro. For the residual part, a total of 37 Million/€, several counterparties are currently carrying out evaluations with the aim of obtaining the best possible pricing conditions with respect to the market context.

It goes without saying that this sector is characterized by intense activity, also due to a probable revision at a European Community level of NPL management policies due to the effects of the Covid-19 health emergency.



## Property, plants and equipment and intangible assets

In 2019, property, plants and intangible assets recorded a 27.38% growth, almost exclusively 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.

Indeed, as is known, as of 1 January 2019, the IFRS 16 “Leasing” accounting principle issued on 31 October 2017 in Regulation 1986/2017 of the European Commission and intended to replace the same IAS 17 principle became directly applicable in every Member State. This principle regards the measurement, evaluation and booking of information regarding leasing contracts, to ensure that lessors and lessees provide appropriate information that truthfully represents the transactions. IFRS 16, which profoundly revises the way in which businesses book leasing transactions, dictates that all leasing transactions 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. This variation has an effect in terms of greater RWA for banks.

As regards intangible assets, residual goodwill items continued to decrease, due to the stringent internal policy implemented by the Bank 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 for banking branches. The decrease of goodwill was therefore equal to 1.7 million euro; for details on this entry, please consult the section regarding impairment tests in the Explanatory Notes.

The variation entered on “Other intangible assets”, 1.4 million euro, refers to the lump-sum capitalization of multi-year costs deriving from software purchases/upgrades.

The above items are summarized in the table below.

**Table n. 12 – Property, plants and equipment and intangible assets**

PROPERTY, PLANTS AND EQUIPMENT AND INTANGIBLE ASSETS			
<i>data in €/000</i>	31/12/2019	31/12/2018	% Variation
Properties used in operations	42,325	42,896	-1.33%
Properties held for investment	0	0	-
Other property, plants and equipment	30,971	14,644	111.50%
<b>Total property, plants and equipment</b>	<b>73,296</b>	<b>57,539</b>	<b>27.38%</b>
Goodwill	3,140	4,825	-34.91%
Other intangible assets	1,946	580	235.50%
<b>Total intangible assets</b>	<b>5,086</b>	<b>5,404</b>	<b>-5.90%</b>
Incidence of property, plants and equipment total assets	1.93%	1.53%	0.40%
Incidence of intangible assets on total assets	0.13%	0.14%	-0.01%

## Book shareholders' equity

At the end of 2019, book shareholders' equity was equal to 181.7 million euro, higher than 165.3 million euro as at 31/12/2018 (see the table below), due to the profit for the period (13.2 million



euro) reduced by the substantial reserve from FTA for the IFRS 9 accounting principle (77.9 million euro) entered in 2018, the calculation of which is connected to the strategic decisions to contain the weight of NPLs by transferring them to third parties.

**Table n. 13 – Breakdown of statutory equity**

<b>BREAKDOWN OF STATUTORY EQUITY</b>			
<i>data in €/000</i>	<b>31/12/2019</b>	<b>31/12/2018</b>	<b>% Variation</b>
Capital	232,800	232,800	0.00%
Premiums on issue of new shares	803	803	0.00%
Reserves	-66,995	-70,220	-4.59%
(Treasury shares)	0	0	-
Valuation reserves	1,846	-1,567	-217.81%
Fiscal year profit (loss)	13,200	3,500	277.14%
<b>Total shareholders' statutory equity</b>	<b>181,655</b>	<b>165,316</b>	<b>9.88%</b>

	<b>31/12/2019</b>	<b>31/12/2018</b>	<b>% Variation</b>
Shareholders' equity / Overall direct deposits ordinary customers	7.01%	6.58%	0.42%
Shareholders' equity / Receivables from ordinary customers	7.21%	6.68%	0.52%
Shareholders' equity / Total assets	4.77%	4.39%	0.38%

As shown in the table above, the increase is booked in shareholders' equity and considerably improves the Bank's capital asset indicators.

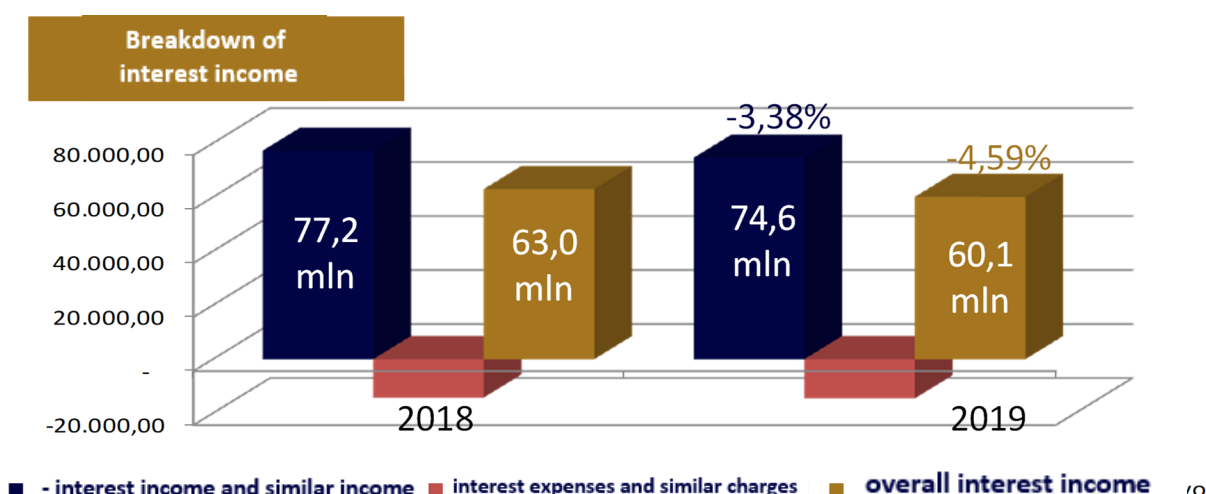
### **Income trend**

The 2019 fiscal year closed with a net profit of 13.2 million euro.

The principle economic aggregates as at 31 December 2019 are provided here following, compared to 2018 data.

### Interest income

Interest income, for a total of 60.1 million euro, showed a slight decrease (-4.59%), due to a continuing context of negative short-term interest rates, and a further compression of the spreads applied by the Bank in favor of customers. Within this economic framework, maintaining a policy centered on greater loan volumes has not proven fully sufficient to compensate the aforementioned anomalous interest rate trend.

**Graph n. 9 – Breakdown of interest income**


As regards interest expenses, the Bank continued to contain the average cost of overall deposits. Furthermore, the 2019 fiscal year, unlike 2018, does not “reap” the bonus related to TLTRO/ ECB financing, in that the bonus in question is allocated only for results in the specific vesting period. The current period, during which the respective growth objective for eligible lending (SME) must be met, is from 31 March 2019 to 31 March 2021.

That being said, the table below shows the breakdown of interest income.

**Table n. 14 – Interest income**

		INTEREST INCOME		
		data in €/000		
		31/12/2019	31/12/2018	% Variation
<b>TOTAL</b>	Earned interest and similar income	74,633	77,240	-3.38%
	Interest expenses and similar expenses	14,521	14,236	2.00%
	<b>Overall interest income</b>	<b>60,112</b>	<b>63,004</b>	<b>-4.59%</b>
<b>With CUSTOMERS</b>	Earned interest and similar income	66,842	67,461	-0.92%
	Interest expenses and similar expenses	7,100	7,177	-1.07%
	<b>Interest income with customers</b>	<b>59,742</b>	<b>60,284</b>	<b>-0.90%</b>
<b>With BANKS</b>	Earned interest and similar income	754	685	10.04%
	Interest expenses and similar expenses	875	382	128.94%
	<b>Interest income with the banking system</b>	<b>-121</b>	<b>303</b>	<b>-139.75%</b>
<b>On SECURITIES</b>	Earned interest and similar income	4,150	3,632	14.28%
	Interest expenses and similar expenses	5,643	6,127	-7.90%
	<b>Interest income on securities</b>	<b>-1,492</b>	<b>-2,495</b>	<b>-40.18%</b>
<b>OTHER</b>	Earned interest and similar income	2,886	5,462	-47.16%
	Interest expenses and similar expenses	903	550	64.20%
	<b>Residual interest income</b>	<b>1,983</b>	<b>4,912</b>	<b>-59.63%</b>



## Commission income

Commission income as at 31 December 2019 was equal to 28.1 million euro, with an increase of 1.65% as compared to the previous fiscal year, although lower than the growth for the previous two-year period, driven by the Bank's growth in the indirect deposits segment.

The table below shows the breakdown of interest income and commission income.

**Table n. 15 –Commission income**

	COMMISSION INCOME			
	<i>data in €/000</i>	31/12/2019	31/12/2018	% Variation
<b>TOTAL</b>	Commission income	30,768	30,109	2.19%
	Commission expenses	-2,705	-2,501	8.16%
	<b>Overall commission income</b>	<b>28,063</b>	<b>27,608</b>	<b>1.65%</b>
<b>From management, brokerage and consulting services</b>	Commission income	1,750	1,751	-0.09%
	Commission expenses	-350	-331	5.80%
	<b>Commission income</b>	<b>1,400</b>	<b>1,421</b>	<b>-1.46%</b>
<b>From distribution of third party services</b>	Commission income	3,895	3,840	1.44%
	<b>Commission income</b>	<b>3,895</b>	<b>3,840</b>	<b>1.44%</b>
<b>From collection and payment services</b>	Commission income	7,494	7,018	6.78%
	Commission expenses	-1,627	-1,540	5.67%
	<b>Commission income</b>	<b>5,867</b>	<b>5,478</b>	<b>7.09%</b>
<b>From other services</b>	Commission income	17,629	17,499	0.74%
	Commission expenses	-728	-630	15.49%
	<b>Commission income</b>	<b>16,901</b>	<b>16,869</b>	<b>0.19%</b>

## Operating income

Operating at 31 December 2019 was Euro 90.1 million euro, substantially in line with the previous fiscal year (90.4 million euro), taking into account the results of the different trend recorded between interest income, on a down trend, and commission income, on an uptrend.

As shown in the table below, operating income is determined principally by the structural components of the banking profit and loss account: interest income 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, also considering the losses from disposal/repurchase of assets measured at amortized cost resulting from transfers of NPL.



Table n. 16 – Operating income

OPERATING INCOME			
<i>data in €/000</i>	31/12/2019	31/12/2018	% Variation
<b>Overall interest income</b>	<b>60,112</b>	<b>63,004</b>	<b>-4.59%</b>
<b>Overall commission income</b>	<b>28,063</b>	<b>27,608</b>	<b>1.65%</b>
Dividends and similar income	1,419	318	<b>345.99%</b>
Net trading result	2,702	-336	<b>-904.24%</b>
Net hedging result	91	-10	<b>-973.49%</b>
Gains (losses) from the disposal or repurchase of:	-2,295	-224	<b>923.36%</b>
a) financial assets measured at amortized cost	-2,402	-365	<b>558.22%</b>
b) financial assets measured at fair value with impact on total profits	205	106	<b>93.30%</b>
c) financial liabilities	-98	35	<b>-384.25%</b>
Net income of other financial assets and financial 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	
<b>Operating income</b>	<b>90,092</b>	<b>90,359</b>	<b>-0.30%</b>

It bears noting that maintaining an operating income close to that of 2018 is no small achievement, also considering the fact that in its last available report on financial stability (November 2019) Bank of Italy states that *“for the sector as a whole, operating income has decreased by 3.5 percent, due to the decrease in commission income, especially that deriving from asset management activities, and interest income, influenced by the contraction in unit margins”*. As seen, these factors have also affected the Bank’s operating income, which, nevertheless, was less affected due to the growth recorded on volumes, respectively in terms of both indirect deposits and new loans.

#### Net income from financial assets

Net income from financial assets increased as compared to December 2018, and was 79.5 million euro, an increase of 15.5 million euro (23.47%), mostly due to the lower cost of credit deriving from the preventive “cleaning intervention” carried out in view of transferring a significant portion of non-performing loans (see FTA of IFRS9 as per 2018 financial statements). Nonetheless, it is important to note that, in addition to the value adjustments on assets measured at amortized cost, entered at item 130 of the profit and loss account for 10.9 million euro, losses on disposal of NPLs must also be taken into account, being equal to 2.4 million euro for 2019, hence resulting in an overall cost of credit equal to 13.3 million euro.



**Table n. 17 – Net income from financial assets**

NET INCOME FROM FINANCIAL ASSETS			
data in €/000	31/12/2019	31/12/2018	% Variation
<b>Operating income</b>	<b>90,092</b>	<b>90,359</b>	<b>-0.30%</b>
Net adjustments/write-backs due to risk related to:	-10,345	-25,931	<b>-60.11%</b>
a) financial assets measured at amortized cost	-10,881	-25,971	<b>-58.11%</b>
b) financial assets measured at fair value with impact on total profits	536	41	<b>1215.96%</b>
Profits/losses due to contract modifications without derecognition	-226	-21	<b>973.01%</b>
<b>Net income from financial assets</b>	<b>79,521</b>	<b>64,408</b>	<b>23.47%</b>

### Operating costs

Operating costs rose by 3.55 due to the corporate restructuring required by the Bank's development in its new form as joint stock company (SpA) and, in particular due to the investment on human resources, which increased personnel costs in 2019 by about 900 thousand euro.

On the other hand, the item "other administrative expenses" decreased by about 500 thousand euro, due to careful cost-saving measures undertaken by the Bank.

On this point, please note that the lower weight of operating costs, which also aims to align the Bank's cost/income to market best practices, is a special area of interest in the 2020-2024 Business Plan.

Contributions to the national resolution fund and the FITD (interbank fund for the protection of deposits), which for 2019 were a total of 3.136 million euro, must also be added to the above costs.

**TABLE OF COSTS FOR CONTRIBUTIONS TO INTERBANKING FUNDS**

Description	Specifics	31/12/2018	31/12/2019	Value differences	% differences
Contribution to National Resolution Fund	Ordinary	15,000.00	1,065,374.34	1,050,374.34	7002.50%
Contribution to National Resolution Fund	Additional	5,620.83	390,110.21	384,489.38	6840.44%
Contribution to National Resolution Fund	Total	20,620.83	1,455,484.55	1,434,863.72	6958.32%
Contribution to FITD Fund	Total	1,394,943.19	1,681,224.19	286,280.44	20.52%
<b>Totals</b>		<b>1,415,564.58</b>	<b>3,136,708.74</b>	<b>1,721,144.16</b>	<b>121.59%</b>

**Table n. 18 – Operating costs**

OPERATING COSTS			
data in €/000	31/12/2019	31/12/2018	% Variation
Administrative costs:	60,881	60,408	0.78%
a) personnel costs	27,133	26,210	3.52%
b) other administrative costs	33,748	34,198	-1.32%
Net allocations to risk and expense funds	-170	-160	6.18%



Net adjustments/write-backs to property, plants and equipment	5,433	3,009	80.60%
Net adjustments/write-backs to intangible assets	289	164	76.76%
Other operating costs/income	-4,699	-3,802	23.58%
<b>Operating costs</b>	<b>61,735</b>	<b>59,618</b>	<b>3.55%</b>

The cost /income indicator, consistent with values for the entire banking market (see the Bank of Italy Report on financial stability dated November 2019), was slightly higher than the 2018 value, slightly greater than 68%. This value is close to the system average indicated in the aforementioned report as 66% of operating income.

### Other income components

Among the other income components for the 2019 fiscal year, please note:

- gains on shareholdings, for a total of 249 thousand euro, dropping by 458 thousand euro as compared to 2018;
- gains from the sale of investments for 2 thousand euro, also lower as compared to the 6 thousand euro for 2018;
- the aforementioned adjustments on goodwill for 1,684 thousand euro.

For all the details, please consult the respective section in the Explanatory Notes.

### fiscal year results

Gross results for the 2019 fiscal year amount to 16.4 million euro, with an increase of 13.0 million euro as compared to 2018 (+388%). Results net of tax are 13.2 million euro (+277% as compared to 31 December 2018).

**Table n. 19 – Fiscal year results**

<b>GROSS AND NET FISCAL YEAR RESULTS</b>			
<i>data in €/000</i>	<b>31/12/2019</b>	<b>31/12/2018</b>	<b>% Variation</b>
<b>Profit (loss) on current operations before taxes</b>	<b>16,353</b>	<b>3,352</b>	<b>387.93%</b>
Fiscal year income tax on current operations	<b>3,153</b>	<b>-148</b>	<b>-2224.73%</b>
<b>Profit (loss) on current operations net of taxes</b>	<b>13,200</b>	<b>3,500</b>	<b>277.14%</b>

### Capital adequacy and regulatory ratios

One of the Bank's strategic priorities is the consistency and dynamics of capital instruments: the evolution of company capital not only accompanies increases in size, but also represents a decisive element in all the stages of development.

As of 2019, Banca Cambiano has a Capital Management plan, subject to systematic monitoring by the Risk Management function, which governs monitoring of current and prospected capital



adequacy, total own funds being the reference for prudential supervisory dispositions. At December 2019, the capital position shows the following values, always greater than the prudential requirements set forth by sector regulations

**Table n. 20 – Own funds and capital adequacy**

OWN FUNDS AND CAPITAL ADEQUACY			
<i>data in €/000</i>	31/12/2019	31/12/2018	% Variation Delta
Total primary Tier 1 capital (Common Equity Tier 1 - CET1)	239,686	230,882	3.81%
Total additional Tier 1 capital (Additional Tier 1 - AT1)	-	-	-
<b>Total Tier 1 capital (Tier 1 - T1)</b>	<b>239,686</b>	<b>230,882</b>	<b>3.81%</b>
<b>Total Tier 2 capital (Tier 2 - T2)</b>	<b>56,390</b>	<b>44,399</b>	<b>27.01%</b>

<b>Total own funds (T1 + T2)</b>	<b>296,076</b>	<b>275,281</b>	<b>7.55%</b>
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PRUDENTIAL REQUIREMENTS			
Credit and counterparty risk	150,968	152,019	-0.69%
Credit valuation adjustment risk	8	18	-55.56%
Market risk	3,035	5,184	-41.45%
Operating risk	13,485	12,180	10.71%
<b>Total prudential requirements (8% of risk-weighted activities) (*)</b>	<b>167,497</b>	<b>169,400</b>	<b>-1.12%</b>

RISK ACTIVITIES AND VIGILANCE COEFFICIENTS			
Risk-weighted activities (RWA)	2,093,708	2,117,497	-1.12%
Primary Tier 1 capital/ Risk-weighted activities (CET1 ratio)	11.45%	10.90%	0.54%
Tier 1 capital / Risk-weighted activities (Tier1 ratio)	11.45%	10.90%	0.54%
Own funds / Risk-weighted activities (Total capital ratio)	14.14%	13.00%	1.14%

(\*) According to prudential vigilance requirements, the overall requirement is equal to the sum of asset requirements calculated for credit and counterparty risk, credit valuation adjustment risk and market and operating risk.

Own funds at 31 December 2019 were 296.1 million euro, registering a 7.55% increase resulting from:

- the positive economic result for the period, and
- the issue of an additional tranche of the debenture loan during the year, for a total of 12 million euro, almost wholly included in TIER2 capital.

**TABLE OF DEBENTURE LOANS ISSUE FOR THE YEAR 2019**

Date of issue	Loan issued	Isin	Nominal value	Amount eligible as Own Funds 31/12/2019
10/06/2019	Loan n. 483	IT0005371270	5,000,000.00	5,000,000.00
20/06/2019	Loan n. 484	IT0005376287	1,000,000.00	1,000,000.00
25/09/2019	Loan n. 485	IT0005385668	2,000,000.00	2,000,000.00
05/12/2019	Loan n. 488	IT0005391518	1,000,000.00	1,000,000.00
20/12/2019	Loan n. 489	IT0005396426	3,000,000.00	2,981,937.60
	<b>Totals</b>		<b>12,000,000.00</b>	<b>11,981,937.60</b>



CET1 capital ratios and total capital ratio have grown due to both the increase in owns funds and the measures taken to increase efficiency of the composition of Bank assets in terms of capital absorption. At 31 December 2019, the ratios were both higher than and compliant to the designated obligatory values:

- **Cet 1 ratio:** the ratio between primary Tier 1 capital and risk-weighted assets is equal to 11.45%, higher than the assigned Overall Capital Requirement of 7.25% (sum of Total SREP Capital Requirement 4.75% and Capital Conservation Reserve 2.5% obligatory values)
- **Tier 1 ratio:** the ratio between Tier 1 capital and risk-weighted assets is equal 11.45% higher than the assigned Overall Capital Requirement of 8.85% (sum of Total SREP Capital Requirement 6.35% and Capital Conservation Reserve 2.5% obligatory values)
- **Total Capital ratio:** the relation between total own funds and risk-weighted assets is equal to 14.14% higher than the assigned Overall Capital Requirement of 11% (sum of Total SREP Capital Requirement 8.50% and Capital Conservation Reserve 2.5% obligatory values).

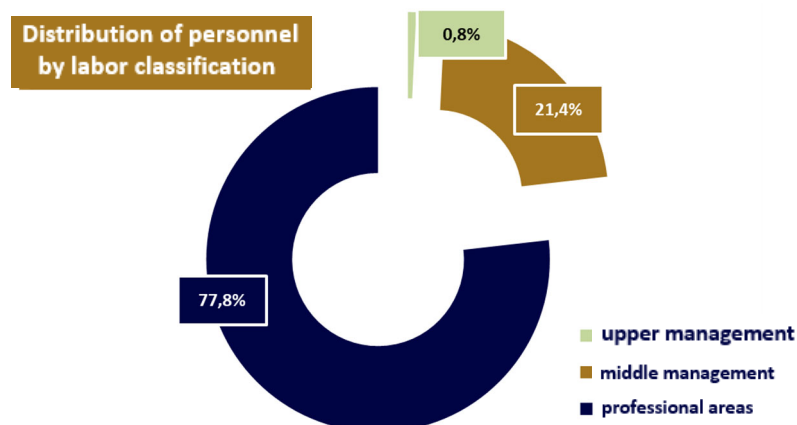
The above being said, during the next fiscal years, Cambiano intends to strengthen Own funds so as to stabilize capital adequacy ratios, over a five year-period.

### Operating structure

As at 31 December 2019, Bank employees increased by 1.03% as compared to the end of the previous fiscal year.

As at 31 December 2019, personnel is composed by 0.8% upper management, 21.4% middle management and 77.8 % employees in the professional areas, as illustrated in the table below.

Graph n. 10 – Structure of personnel



Data regarding personnel show:

- a significant presence of female employees (with an incidence of 34.4%, constantly growing over recent years, both in quantitative and in qualitative terms, with recent entry in important corporate roles);



- a significant quota of university graduates (44.9%) which confirms the employment of increasingly qualified personnel (in 2018 and 2017 this datum was respectively 42.3% and 41.6%);
- an average age between 36 and 45 years.

Table n. 21 – Breakdown of personnel

BREAKDOWN OF PERSONNEL				
<b>BREAKDOWN BY QUALIFICATION</b>	<b>31/12/2019</b>	<b>31/12/2019</b>	<b>Variation</b>	<b>31/12/2019</b>
				<b>Personnel in the Parent Company</b>
Upper management	3	3	0	1
Middle management	84	87	-3	3
Professional areas	305	298	7	1
<b>Total</b>	<b>392</b>	<b>388</b>	<b>4</b>	<b>5</b>
<b>BREAKDOWN BY GENDER</b>	<b>31/12/2019</b>	<b>31/12/2018</b>	<b>Variation</b>	<b>31/12/2019</b>
				<b>Personnel in the Parent Company</b>
Females	135	131	4	2
Males	257	257	0	3
<b>Total</b>	<b>392</b>	<b>388</b>	<b>4</b>	<b>5</b>
<b>BREAKDOWN BY LEVEL OF EDUCATION</b>	<b>31/12/2019</b>	<b>31/12/2018</b>	<b>Variation</b>	<b>31/12/2019</b>
				<b>Personnel in the Parent Company</b>
University degree	176	164	12	1
High school diploma	206	213	-7	4
Other	10	11	-1	
<b>Total</b>	<b>392</b>	<b>388</b>	<b>4</b>	<b>5</b>
<b>BREAKDOWN BY AGE BRACKET</b>	<b>31/12/2019</b>	<b>31/12/2018</b>	<b>Variation</b>	<b>31/12/2019</b>
				<b>Personnel in the Parent Company</b>
Up to 25 years	18	20	-2	
26 - 35 years	111	110	1	1
36 - 45 years	110	112	-2	
46 - 55 years	109	100	9	1
56 - 60 years	27	27	0	
Over 60 years	17	19	-2	3
<b>Total</b>	<b>392</b>	<b>388</b>	<b>4</b>	<b>5</b>
<b>BREAKDOWN BY LENGTH OF SERVICE</b>	<b>31/12/2019</b>	<b>31/12/2018</b>	<b>Variation</b>	<b>31/12/2018</b>
				<b>Personnel in the Parent Company</b>
Up to 3 years	83	99	-16	2
4 - 8 years	74	64	10	
9 - 15 years	111	112	-1	1
16 - 25 years	80	72	8	
26 - 30 years	27	24	3	
Over 30 years	17	17	0	2
<b>Total</b>	<b>392</b>	<b>388</b>	<b>4</b>	<b>5</b>
<b>FUNCTIONAL DISTRIBUTION</b>	<b>31/12/2019</b>	<b>31/12/2018</b>	<b>Variation</b>	<b>31/12/2018</b>
				<b>Personnel in the Parent Company</b>



Central offices	131	124	7	5
Network	261	264	-3	
<b>Total</b>	<b>392</b>	<b>388</b>	<b>4</b>	<b>5</b>

The training programs conducted during 2019, ongoing with respect to the previous years, reached the objective of favoring the growth of personnel competencies and professional skills, in line with the new corporate structure and the relative professional figures, as well as with new operational and management requirements, and regulatory and law requirements. Particular care continues to be dedicated to increasing specialized commercial and managerial competencies, through diversified training programs, in accordance with the provisions of personnel development plans.

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.

Specifically, personnel employed in the branch network and in the head office, in the various sectors of competence, were involved in training courses on specific aspects, such as the MiFID II regulations, insurance distribution, anti-money laundering, privacy, etc., as well as in broader courses regarding updating of organization processes, organizational improvement and development of human resources.

As in the past, continuing to focus on qualified customer relations, training activities were conducted with the aim of developing greater personnel awareness and qualification, by reinforcing professional skills and increasing knowledge of Banks products, as well as of legal, technical, economic and relational issues regarding consulting services.

Personnel employed in the central offices also actively participated in training sessions organized by both the Cabel Network and other qualified external training agencies and other associated structures, regarding various aspects of banking activities (taxation, accounting, finance, legal, anti-money laundering, and privacy issues, etc.)

In compliance with the provisions contained in current regulations regarding on-the-job health and safety, various training sessions specifically for personnel designated to fire prevention and workplace evacuation and first aid activities were also organized and carried out.

The Bank's philosophy is centered 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 Bank operations.

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.

#### Organizational model



In 2019 the Bank approached its market taking into account a series of situations: the evolution of the market itself, the presence of various types of customers, the availability of new technologies, and the different degrees of flexibility and economic convenience of the various channels. The objective was to give value to the physical location of the relationship between Bank and customer, to guide the latter in daily life choices (investment for savings purposes, home purchase, insurance for property and persons) with an appropriate level of support. The Bank strove to enhance customer relations, favored by its position on the territory, by increasing the offer of useful solutions, dedicating particular attention to getting to know customers. Although well aware that market changes call for a revision of the current operational model, and to this end appropriate studies are already underway, attention and care for each customer constitute absolute identifiers for the Bank and are concretely exemplified by the conduct of branch personnel, dedicated to customer relations and service. For this reason, the Bank has enhanced the teller network through personnel development courses, as this is traditionally the meeting point between the Bank and its customers. These activities have improved interactions with customers, making it possible to personalize each relationship, so much so that even in the era of electronic communication and remote operations, relations with customers are still inside the branches, thanks to the trust that is established between bank personnel and customers. During the year, the Bank has striven to consolidate its bond with the territory by enhancing the Branch network. In future years, branches will remain the fulcrum of our way of being a bank on the territory, in our firm belief that for a bank such as ours, direct contact with customers is the cornerstone on which to found, develop and strengthen our customer relations.

#### Development and improvement of processes

The Bank concentrates its improvement activities on creating new products and upgrading technological instruments, first and foremost with the support of our information technology outsourcer, Cabel Industry.

The Organizational Office and the Data Processing Center interface with the IT outsourcer to improve the efficiency of risk monitoring related to the outsourcing management of the information system and to guaranty the conditions required to keep service levels up to Bank requirements over time.

More specifically, within the scope of project planning, the creation of applications associated to business evolution is closely monitored and an active role is played in the procedure testing stage. Simultaneously, information security is also closely supervised in terms of access control and, more in general, applications management and development and business continuity safeguarding, by enhancing procedures to measure the solidity of the outsourcer's continuity measures and by playing an increasingly active role in such measures.

In 2019, the Bank continued to execute projects with strong organization impacts, aimed at improving and rationalizing operational efficacy and efficiency, both in business processes for customers and in internal auxiliary processes.



Various project sectors were involved, with the objective, on the one hand, of continuing to constantly improve the structure of the Bank and of the Group and, on the other hand, of keeping the structure of the Institution fully compliant with important new regulatory requirements.

Interventions were carried out taking into account the principle guidelines:

- regulatory compliance;
- technological evolution;
- business efficiency.

As regards regulatory compliance, please take note of projects regarding:

- **NPL:** pursuant to the guidelines issued by supervisory authorities (Bank of Italy and ECB, 4 October 2017 for less significant Banks), the instructions provided by the EBA and the approval by the European Parliament of the prudential management of NPLs, the Bank set in motion various initiatives to meet all the new functional and regulatory requirements;
- **PSD2:** as regards the new European directive on digital payments (PSD2), during 2019 the Bank adopted new authentication instruments for access to the MITO and MITO&C remote banking platforms. These platforms further reinforce the security of online payments using a Strong Authentication system. In collaboration with Cabel, the Bank has also launched a project dedicated to Open Banking, within which a series of feasibility studies have been identified, which will lead to the gradual release of new functions in 2020, in collaboration with third parties, to provide a series of additional services to customers;
- **POG:** pursuant to the guidelines on product governance and oversight arrangements for retail banking products issued on 22 March 2016 by the European Banking Authority (EBA) and the transposition thereof by regulations issued by Bank of Italy on 29 July 2009, in the provisions on the matter of the "Transparency of banking and financial transactions and services. Correctness of relations between intermediaries and customers", the Bank has adopted a specific product governance policy that describes the model that has been adopted, and has launched a project for updating and compliance of the information technology system with Cabel;
- **Transparency:** in light of Directive 214/92/EU regarding payment accounts (Payment Account Directive – PAD) and the new Bank of Italy provisions on the matter of the transparency of transactions and banking and financial services dated 18.06.2019, the Bank has initiated a project on transparency aimed at ensuring greater transparency and integrity vis-à-vis customers, in compliance with new regulations;
- **MIFID 2:** entry into force on 3 January 2018 has introduced many and profound changes regarding investment services that have spilled over into 2019 with the implementation of periodical reporting to customers regarding costs and charges and portfolio adequacy;
- **IDD:** entry into force on 1 October 2018 of the directive on insurance distribution ("IDD", Directive EU 2016/97) has required the Bank to conform the entire department, also including adjustments in terms of information technology instruments by Cabel and the insurance counterparties with whom the Bank has distribution agreements;
- **Fourth Anti-Money Laundering Directive:** transposition of the IV European Directive on Anti-Money Laundering and Anti-Terrorism (EU 849/2015) and all the associated national





implementation measures, including the last one published on 30 July 2019 regarding adequate verification.

As known, the information system is fundamental to the Bank's organizational programming, in that it (i) influences strategic choices in terms of the products / services to be offered to customers and the efficiency of operating processes, (ii) favors sound and prudent management, to the extent in which it can provide accurate information, in real time, regarding technical management coordinates and risk management, (iii) contributes to limiting operational and compliance risks.

The reliability of the Banca Cambiano 1884 IT system is ensured by the over thirty years of experience brought to the field by Cabel Industry; the formula of full outsourcing entails complete management of the CABEL information system in the software and hardware components, that is to say the externalization of facility management, application management and BPO; on this front, it bears noting that the Bank, in light of its shareholdings, is in a condition to provide a significant contribution to the outsourcer's strategic development decisions.

Activities related to the upgrading of the information system continue, with the ongoing progress of the localization process for the Oracle FLEXCUBE platform, used by over 600 financial institutions the world over.

Innovation, integration and stability are the three essential elements that characterize the strategy for the evolution and management of our IT network.

### **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 seminars and conferences to study specific technical and organizational issues have also been intense.

It is our 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 its 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 solid 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 organizational 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.

During 2019, the Bank's Risk Management Function, in compliance with the contents of the vigilance regulations set forth in Circular 285/2013 on the matter of outsourcing company control functions in a Bank Group, continued risk management and control activities (risk management) for Cabel Leasing Spa.

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 favor information exchanges for integrated risk monitoring.

The main strategic areas that represent the fulcrum of the Risk Appetite Statement are: correct profitability for the risk; internal capital and own funds; liquidity and funding; asset credit quality; other strategic risk areas.

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 organizationally 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 deterioration 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 leveling operator behavior, 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 organizational 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", the Recovery Plan provided for by Bank of Italy Order N. 0213179/17 dated 17 February 2017 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 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 the EU Delegated Regulation 2015/61 issued to supplement EU Regulation 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.

In order to improve liquidity management, the Bank adheres to the New Collateralized Interbank market (New MIC).

In order to increase its financing capacity within the system, within the scope of the self-securitization transaction started in 2017 along with Banca di Pisa e Fornacette, in November 2019 a new amount of performing residential mortgages (n. 3053 mortgages for € 287 million euro) were added to the Pontormo RMBS vehicle, which issued a senior note for almost the entirety of the loans. The note is used as collateral for financing by the ECB. For full information, please consult Part E of the Notes.



## Transactions with related parties

For information regarding transactions with related parties, as defined in IAS 24, please refer to “Part H – Transactions with related parties” of the Explanatory Notes.

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.

## Significant events after the close of the fiscal year

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:

- On 31 January 2020, the Italian government, with Resolution of the Council of Ministers, declared a national health emergency deriving from the spread of the Covid-19 virus. A series of law decrees then followed, containing urgent measures for the containment and management of the epidemiological crisis, including a stop to all production activities and limitations of individual freedom (so-called lockdown). These measures are currently in force at the date of preparation of this report, with a slight easing of measures beginning with an initial re-opening scheduled starting 4 May and a normalization stage expected in June 2020;
- On 24 March 2020, the Board of Invest Banca, of which Banca Cambiano holds 7.22% of outstanding shares, resolved to execute immediate capital strengthening measures, to be executed by 31.03.2020; such measures were made necessary by an extraordinary loss connected to improper transactions in derivatives by customers, which subsequently proved insufficient to cover margins eroded by losses due to market volatility induced by the events tied to Covid-19 and by declarations by higher authorities that influenced markets causing sudden value losses. In this context, Banca Cambiano, in unison with other Invest shareholders, paid in the amount of € 1.5 million euro on account of future capital increase, to be qualified as elements of the Bank’s Common Equity Tier 1, as defined in article 26 CRR, contributing, along with other shareholders and third parties, to the creation of funds amounting to € 13.5 million euro, sufficient to guarantee meeting regulatory vigilance profiles required for the continuance of Invest Banca activities. The Invest Banca Shareholders’ Meeting will be called to vote an increase of share capital for an amount no lower than € 13.5 million euro. This capital strengthening will prove even more consistent by applying a variety of instruments, including the possibility of converting at least part of the current subordinate TIER II loan, on a voluntary basis activated by Invest, also in view of the plans to re-launch business as a second level bank;
- On 30 March 2020, the Bank purchased n. 38,000 shares of the controlled company Cabel Leasing spa, with the counterparty Cabel Holding SpA, at a unit price of € 199.42, corresponding to a value equal to shareholders’ equity, in line with the criteria followed for other transfer transactions for the same company, for a total payment of € 7,577,960. This



transaction, therefore, involved 38% of outstanding shares and increased the Bank's control shareholdings from 52% to the current 90%;

TABLE FOR PURCHASE OF SHARES IN CABEL LEASING S.P.A. BY THE BANK FROM CABEL HOLDING S.P.A.

Date	Counterparty	N. shares purchased	Nominal unit value	Nominal purchased value	Unit purchase price	Total purchase price	Shareholding prior to purchase	Purchase shareholding	Shareholding after purchase
31/03/2020	Cabel Holding s.p.a.	38,000	100.00	3,800,000.00	199.42	7,577,960.00	52.00%	38.00%	90.00%

### Foreseeable management trend

With reference to the information to be provided in financial reports on corporate prospects regarding corporate continuity, financial risks, impairment tests on assets and uncertainties in the use of estimates, the Board of Directors is reasonably certain that the bank may continue its operations in the foreseeable future and, therefore, declares that the Financial Statements for the fiscal year in review were prepared with an outlook of corporate continuity. The Bank's equity and financial structure do not contain any elements or signs that may give rise to any doubts whatsoever as to corporate continuity, excepting for the exceptional economic context deriving from the aforementioned health emergency due to the Covid-19 pandemic and consequent lockdown measures that have strongly affected medium term income forecasts.

Therefore, the 2020 fiscal year will pan out in a macroeconomic scenario of negative market rates, with a potentially double-digit drop in GDP and uncertainties regarding domestic and international markets.

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.

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 2020, the Bank's primary objectives are:

- a) To preserve business profitability even in a context of strong contractions in GDP;
- b) To complete the improvement actions undertaken subsequent to the Project Portfolio – Interventions to overcome risk profiles as set out in the Supervisory Report following the company audits that were performed and concluded on 5/06/2019;



- c) To further reinforce capitalization levels, on the one hand through a hoped-for capital strengthening due to new institutional operators interested in an improved evolution of the Bank's reference territory economic context and, on the other, through the careful management of risk-weighted assets.

### Proposal for allocation of the fiscal year profit

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

- 5% of profits, equal to 600 thousand euro, to Legal Reserves;
- The remaining amount, equal to 12,540 thousand euro, to Extraordinary Reserves.

**Table n. 22 – Proposal for the allocation of the 2019 fiscal year profit**

PROPOSAL FOR ALLCOATION OF 2019 FISCAL YEAR PROFIT	
	Amount
<b>NET PROFIT TO BE DISTRIBUTED</b>	<b>13,200,000</b>
<b>BoD Proposal</b>	
to Legal Reserves (5.00% of profit)	660,000
To Extraordinary Reserve	12,540,000
To shareholders as dividends	-
<b>Total</b>	<b>13,200,000</b>

This decision was made while fully aware that the Country is under unprecedented and collective duress to contain the diffusion of Covid-10, with strict limitations placed on the entire Italian economic and productive systems and that, in the current emergency situation, Bank of Italy, in compliance with the recommendations made by the ECB, has decided to extend to less significant banks under its direct supervision the recommendations made by the ECB to significant banks. The recommendation in question intends to allocate profit to reinforcement of own means, in order to ensure that the financial system is in the best possible condition to absorb any losses that may occur due to the health emergency and to continue to support the economy

\* \* \*

Esteemed Shareholders,

we wish to conclude with our sincere thanks to both you and our customers, who have favored 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 parent company.





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 :

- Central Management of the Supervisory Authority and to Management of the Florence offices of Bank of Italy, for the ongoing assistance and collaboration provided;
- To the Bank of Italy Inspection Team who, with great professional skill and competence, is carrying out inspection audits, allowing the Bank to share and own margins for improvement in the various areas that have come to light during the inspection;
- The members of the Board of Statutory Auditors, for the commitment and thoroughness in executing their functions;
- To the entire structure of the Ente Cambiano parent company, the Bank's General Management and all employees for their dedication and competence in meeting corporate objectives and completing the planned corporate reorganization.

Having reached the end of our three-year mandate, the first after the "way out" operation and in the new form as joint-stock bank, we wish to express our heartfelt thanks to you, the shareholders, for the trust you have placed in us.

While we wait for the end of this lockdown, after weeks of stopped or slowed activities, we must be aware that many aspects of our business and our lives may well change, and that the extent of the change, whether it will be for better or for worse, depends only on us, and on the sense of responsibility of each individual.

However, we must not forget that the hallmark of Italy is quality; it is innovation rooted in tradition, in its territories and communities that, along with human capital, culture and beauty, are active players in the creation of value, not least of which economic value. In a word, a sweet and intangible economy, based on know-how, on enhancing community and territorial identities and on respecting the environment. Of people who work hard and in silence and for whom duties come before rights. These are the Italians who foot the bill for everyone else and keep our Country on its feet.

We want to be a part of that community, and support those Italians through our services. We are present and accounted for.

Florence, 28 April 2020

*The Board of Directors*

# Report of the Statutory Auditors



**BANCA  
CAMBIANO** 1884  
SOCIETÀ PER AZIONI



### *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 2019, 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 Baker Tilly Revisa 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.

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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 2019 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.

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. 25), of the Executive Committee (n. 52) and of only one member of the Board, usually the Chairman of the Risk Committee (n. 10) and the Shareholders' Meeting;
- 2) meetings with the company entrusted with the statutory audit;
- 3) controls with the managers of the various corporate departments, in particular with Risk Management, Compliance, Anti-Money Laundering, and Internal Audit. Please bear in mind that internal auditing activities are carried out in outsourcing by the Parent Company working in co-sourcing with the company META Srl with offices Empoli and Compliance activities are carried out in co-sourcing with another division of the same company, META Srl;
- 4) exchange of information with the Supervisory Authority, in accordance with Legislative



## Decree 231/2001.

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.

With respect to the adequacy of the internal control system, the Board of Statutory Auditors interacted with the Internal Audit function, externalized to the parent company, an autonomous and independent structure, as the recipient of the inspection reports containing the results of the controls that this service carried out during the course of the year, as mentioned, in co-sourcing with the company META Srl in Empoli. The Board of Statutory Auditors also reviewed and approved the 2020-2022 three year plan and the annual auditing plan scheduled by the Internal Audit Department.

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;
- the Compliance Department (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;
- the Anti-Money Laundering Department, for reports regarding this delicate sector, documents whose level of clarification fully represent, among other things, organization 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 organizational deficiencies.

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 organizational 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 25.07.2019, the Board of Directors introduced an updated version of the document entitled “Policy for the management of transactions with related parties”, defined by the parent company Ente Cambiano ScpA to manage transactions with related parties of the Gruppo Bancario Cambiano, and updated the document entitled “Resolution procedures for transactions with related parties”.

Relationships with related parties took place on the basis of the Regulations approved during the year as implementation of the provisions set forth in the Bank of Italy’s Measure «*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 topic. Indeed, 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 department, 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 with respect to the effective manner in which remuneration policies are applied.



The Gruppo Bancario Cambiano underwent inspection audits for compliance to regulations regarding banking and financial activities, on the part of Bank of Italy from 05/12/2018 to 26/03/2019. The results of the audits, which were concluded without the application of administrative or sanction measures, were submitted to the Board of Directors during the meeting held on 05/06/2019. Based on the audit report and notes, the Bank provided indications regarding actions already undertaken at the time and submitted a detailed plan of interventions in line with the audit findings. This plan is now at an advanced stage of its execution and is constantly monitored by corporate functions; the Supervisory Authority is constantly informed and updated on the matter.

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 14 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 organizational 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 2020-2024;
- 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 no. 108/1996 and the Implementing Provisions of the Bank of Italy;
  - with reference to the law on privacy, compliance measures required by the entry into force of the new European Regulations regarding data security were implemented,



including the nomination of a Data Security Manager;

- as required by Article 136 of the Consolidated Law on Banking, the Board unanimously confirmed the transactions conducted, directly or indirectly, by the Bank's representatives, all approved in accordance with law, including Article 2391 of the Italian Civil Code;
- with reference to the 30 complaints received by the Bank in 2019, compared to the 30 received in 2018, 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, usury, etc.

The Board of Statutory Auditors has fully endorsed the activities carried out during 2019 regarding regulatory compliances processes related to:

- Non Performing Loans (NPL): pursuant to the guidelines issued by vigilance authorities (Bank of Italy and ECB, 4 October 2017 for less significant banks), by provisions on the part of the EBA and the approval by the European Parliament of prudential treatment of NPLs, the Bank has undertaken numerous initiatives to meet all new functional and regulatory requirements;
- PSD2: regarding the new European directive on digital payments (PSD2), during 2019 the Bank implemented new authentication instruments for access to the MITO and MITO&C remote banking platforms;
- POG: following the issue on 22 March 2016 by the European Banking Authority (EBA) of the guidelines on governance and control instruments for consumer banking products and of the transposition, through Bank of Italy provision dated 29 July 2019, of dispositions regarding "Transparency of banking and financial transactions and services. Correctness of relations between intermediaries and customers", the Bank has implemented a specific product governance policy that describes the model that has been adopted and has launched an IT system compliance project with Cabel;
- Transparency: in light of Directive 214/92/EU on payment accounts (Payment Account Directive – PAD) and of the new provisions by Bank of Italy on the matter of the transparency for banking and financial transactions and services dated 18.06.2019, the Bank has started a project on transparency that aims to ensure even higher degrees of transparency and correctness vis-à-vis customers, complying with all the new regulatory provisions;
- MIFID 2: entry into force on 3 January 2018 has introduced many and profound changes regarding investment services that have spilled over into 2019 with the implementation of periodical reporting to customers regarding costs and charges and portfolio adequacy;
- IDD: entry into force on 1 October 2018 of the directive on insurance distribution ("IDD", Directive EU 2016/97) has required the Bank to conform the entire department, also requiring adjustments in terms of information technology instruments by Cabel and the insurance counterparties with whom the Bank has distribution agreements;
- Fourth Anti-Money Laundering Directive: transposing of the IV European Directive on



Anti-Money Laundering and Anti-Terrorism (EU 849/2015) and all the associated national implementation measures, including the last one published on 30 July 2019 regarding adequate verification.

## 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.

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 Baker Tilly Revisa Spa, in charge of the statutory audit of accounts. On 15 May 2020, 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 financial statements for the 2019 fiscal year, submitted for your approval, are shown below, compared to those of the 2018 fiscal year:

	Asset line items	31/12/2019	31/12/2018
10.	Cash and cash equivalents	14,038,230	13,580,860
20.	Financial assets measured at fair value with recognition of income effect through profit and loss account	145,805,287	177,963,877
	a) financial assets held for trading	78,434,954	121,419,582
	b) financial assets measured at fair value		
	c) other financial assets obligatorily measured at fair value	67,370,333	56,544,295
30.	Financial assets measured at fair value with impact on total profits	355,217,802	389,393,708
40.	Financial assets measured at amortized cost	3,090,757,562	2,965,841,641
	a) receivables from banks	163,819,252	249,782,058
	b) receivables from customers	2,926,938,310	2,716,059,583
50.	Hedges		
60.	Adjustment of value of generic hedges for financial assets (+/-)		
70.	Equity investments	43,809,754	43,560,798
80.	Property, plants and equipment	73,296,316	57,539,225
90.	Intangible assets	5,085,844	5,404,454
	of which:		
	- goodwill	3,140,342	4,824,577
100.	Tax receivables	27,571,052	28,770,716
	a) current	3,951,954	6,207,367
	b) pre-paid	23,619,098	22,563,349
110.	Non-current assets and groups of asset in the course of divestment		
120.	Other assets	51,002,734	83,403,469
	<b>Total assets</b>	<b>3,806,584,580</b>	<b>3,765,458,748</b>





	Liability line items and shareholders' equity	31/12/2019	31/12/2018
10.	Financial liabilities valued at amortized cost	3,503,726,582	3,449,602,767
	a) payables to banks	558,271,540	609,055,464
	b) payables to customers	2,773,315,612	2,649,018,264
	c) Outstanding securities	172,139,430	191,529,039
20.	Financial liabilities from trading	312,688	46,458
30.	Financial liabilities measured at fair value		
40.	Hedges	613,616	734,746
50.	Adjustment of value of generic hedges for financial liabilities (+/-)		
60.	Tax liabilities	9,187,621	2,243,611
	a) current	6,931,164	47,524
	b) deferred	2,256,456	2,196,087
70.	Liabilities associated to assets in the course of divestment		
80.	Other liabilities	105,075,218	141,423,478
90.	Employee severance pay	3,863,696	3,771,236
100.	Risk and expense funds:	2,150,248	2,320,590
	a) commitments and issued guarantees	2,096,179	2,247,542
	b) pensions and similar commitments		
	c) other risk and expense funds	54,069	73,048
110.	Valuation reserves	1,846,376	-1,567,282
120.	Redeemable shares		
130.	Equity instruments		
140.	Reserves	-66,994,705	-70,220,097
150.	Premiums on 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	13,200,000	3,500,000
	<b>Total liabilities and shareholders' equity</b>	<b>3,806,584,580</b>	<b>3,765,458,748</b>

	Item	31/12/2019	31/12/2018
10.	Earned interest and similar income	74,632,913	77,240,003
	of which: earned interest calculated using the actual interest method	72,720,933	74,975,992
20.	Interest expenses and similar expenses	-14,520,828	-14,235,808
<b>30.</b>	<b>Interest income</b>	<b>60,112,084</b>	<b>63,004,196</b>
40.	Commission income	30,767,561	30,108,528
50.	Commission expenses	-2,704,781	-2,500,689
<b>60.</b>	<b>Commission income</b>	<b>28,062,780</b>	<b>27,607,839</b>
70.	Dividends and similar income	1,418,778	318,115
80.	Net trading result	2,702,206	-335,994
90.	Net hedging result	91,331	-10,456
100.	Gains (losses) from the disposal or repurchase of:	-2,295,202	-224,280
	a) financial assets measured at amortized cost	-2,401,883	-364,904
	b) financial assets measured at fair value with impact on total profits	204,980	106,042
	c) financial liabilities	-98,300	34,582
110.	Net income of 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		
<b>120.</b>	<b>Operating income</b>	<b>90,091,977</b>	<b>90,359,420</b>



130.	Net adjustments/write-backs of value due to impairment of:	-10,344,791	-25,930,661
	a) financial assets measured at amortized cost	-10,880,625	-25,971,379
	b) financial assets measured at fair value with impact on total profits	535,834	40,718
140.	Profits/losses due to contract modifications without derecognition	-225,763	-21,040
<b>150.</b>	<b>Net income from financial assets</b>	<b>79,521,424</b>	<b>64,407,719</b>
160.	Administrative costs:	-60,880,969	-60,407,918
	a) personnel costs	-27,133,137	-26,209,957
	b) other administrative costs	-33,747,833	-34,197,962
170.	Net allocations to risk and expense funds	170,342	160,431
	a) commitments and issued guarantees	151,363	158,315
	b) other net allocations	18,979	2,116
180.	Net adjustments/write-backs to property, plants and equipment	-5,433,283	-3,008,502
190.	Net adjustments/write-backs to intangible assets	-289,360	-163,706
200.	Other operating costs/income	4,698,512	3,801,875
<b>210.</b>	<b>Operating costs</b>	<b>-61,734,759</b>	<b>-59,617,821</b>
220.	Profit (loss) from equity investments	248,956	706,147
230.	Net result of fair value measurement of property, plants and equipment and intangible assets	0	
240.	Adjustments to value of goodwill	-1,684,235	-2,150,195
250.	Gains (losses) from the disposal of investments	1,963	5,738
<b>260.</b>	<b>Gains (losses) from current operations before tax</b>	<b>16,353,349</b>	<b>3,351,588</b>
270.	Fiscal year income tax on current operations	-3,153,349	148,412
<b>280.</b>	<b>Gains (losses) from current operations before tax</b>	<b>13,200,000</b>	<b>3,500,000</b>
290.	Gains (losses) from disposed assets after tax		
<b>300.</b>	<b>Fiscal year profit (loss)</b>	<b>13,200,000</b>	<b>3,500,000</b>

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 2019 fiscal year financial statements, which were duly made available within the prescribed term.

Specifically, in accordance with article 2426, point 5 of the Italian Civil code, the Board consents to booking multi-year software costs and expenses, amounting to a total of € 198,945.4 in asset line item 90 “Intangible assets”. The entry is at cost, net of constant rates of amortization over five years. Again, with the Board’s consent, the costs for leasehold improvements, corresponding to € 33,510 were allocated to asset line item 120 “Other assets” and were amortized directly on the basis of the duration of the leases.

Goodwill, recorded in the balance sheet for a total of € 3,140,342.00, relating to the branches purchased within the scope of the “Way Out” operation, was equal to € 4,824,577.00 at 31.12.2018. Based on the specific Goodwill Policy, during the fiscal year in review, goodwill attributable to the Turin branch was reduced by € 1,136.243.00 and that attributable to the Bologna branch by € 229,150.00.

As regards the residual goodwill recorded as at 31.12.2019, relative to the “Way-Out” operation, we have verified that the calculated “value of use” is greater than the “booking value”, and therefore the Board consent to recording goodwill amounting to € 3,140,342.00.

Moreover, during the course of the 2019, fiscal year, the Board of Statutory Auditors met with the auditing company Baker Tilly Revisa 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. Proposals 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 2019 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 indicators 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.

As 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 favorable 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 of 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, 18 May 2020

#### **THE BOARD OF STATUTORY AUDITORS**

<i>Prof. Stefano Sanna</i>	CHAIRMAN
<i>Dr. Gaetano De Gregorio</i>	ACTING AUDITOR
<i>Prof.ssa Rita Ripamonti</i>	ACTING AUDITOR

# Report of the Independent Auditor



**BANCA  
CAMBIANO** 1884  
SOCIETÀ PER AZIONI



**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 Company), consisting of the equity and financial situation as at 31 December 2019, the income statement, the overall income statement, 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 that also include the summary of the most significant accounting principles applied.

In our opinion, the financial statements represent in a truthful and accurate manner shareholders' equity and the financial situation of the Company as at 31 December 2019, 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 Company, 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 receivables from customers**

Receivables from customers (line item 40-b Balance Sheet – Receivables ) at 31 December 2019 show a balance of approximately 2,927 million euro, composed of about 2,558 million euro in receivables from customer and about 369 million euro in HTC Securities, against overall assets in the balance sheet amounting to about 3,806 million euro.

Particular attention was given to these receivables within the scope of our auditing activity,



in that the processes and methods for measurement adopted by the Bank and provided for by the respective policies, are characterized by processes estimating numerous variables such as, principally, the existence of indicators of possible losses in value, the calculation of expected cash flows and the relative recovery times, the realizable value of collateral, the type of customer and the use of internal and external elements observable at the date of assessment.

*The Company has provided the information relative to the assessment in the Explanatory Notes:*

*Part B- Information on the balance sheet in section 4 of Receivables , Part C – Information on the income statement in section 8, Part E – Information on risks and the relative hedging policies.*

### **Auditing procedures in response to the key aspects**

Within the scope of the auditing activities, the following main activities were carried out to analyze this key aspect:

- Analysis of company procedures and processes and verification of the operating efficacy of relative controls, for the purpose of the assessment process of receivables from customers for financing;
- Comparative analysis procedures as regards the most significant differences as compared to the previous fiscal year's data and analysis of the results with the corporate functions involved;
- Analysis of the assessment models, both collectively and individually, and verification based on samples of the reasonableness of the variables subject to estimation within the scope of the aforementioned models;
- Verifications on a sample basis of evaluation and classification in the financial statements according the categories provided for by the applicable regulatory framework on financial and regulatory information.

For the above reasons, we have considered the classification and evaluation of receivables from customers as a key aspect of the auditing of accounts.

### **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 skepticism 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 Company'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 Company'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 Company 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 also 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 7 May 2011, the Shareholders' Meeting of Banca di Credito Cooperativo s.c.p.a. (that subsequently became Banca Cambiano 1884 S.p.A.) appointed Baker Tilly Revisa S.p.A. as statutory auditor of the Company's financial statements for the fiscal years from 31 December 2011 to 31 December 2019.

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 Company 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 article 14, 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 2019, 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 2019



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 2019 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.

Florence, 15 May 2020

Baker Tilly Revisa S.p.A.

Dionigi Crisigiovanni  
Executive Partner

# Schedules to the Financial Statements



**BANCA  
CAMBIANO** 1884  
SOCIETÀ PER AZIONI

**OVERALL PROFITABILITY**

	Asset line items	31/12/2019	31/12/2018
10.	Cash and cash equivalents	14,038,230	13,580,860
20.	Financial assets measured at fair value with recognition of income effects through profit and loss	145,805,287	177,963,877
	<i>a)</i> financial assets held for trading	78,434,954	121,419,582
	<i>b)</i> financial assets measured at fair value		
	<i>c)</i> other financial assets obligatorily measured at fair value	67,370,333	56,544,295
30.	Financial assets measured at fair value with impact on total profits	355,217,802	389,393,708
40.	Financial assets measured at amortized cost	3,090,757,562	2,965,841,641
	<i>a)</i> receivables from banks	163,819,252	249,782,058
	<i>b)</i> receivables from customers	2,926,938,310	2,716,059,583
50.	Hedges		
60.	Adjustment of value of generic hedges for financial assets (+/-)		
70.	Equity investments	43,809,754	43,560,798
80.	Property, plants and equipment	73,296,316	57,539,225
90.	Intangible assets	5,085,844	5,404,454
	of which:		
	- goodwill	3,140,342	4,824,577
100.	Tax receivables	27,571,052	28,770,716
	<i>a)</i> current	3,951,954	6,207,367
	<i>b)</i> pre-paid	23,619,098	22,563,349
110.	Non-current assets and groups of assets in the course of divestment		
120.	Other assets	51,002,734	83,403,469
	<b>Total assets</b>	<b>3,806,584,580</b>	<b>3,765,458,748</b>



	Liability line items and shareholders' equity	31/12/2019	31/12/2018
10.	Financial liabilities valued at amortized cost	3,503,726,582	3,449,602,767
	a) payables to banks	558,271,540	609,055,464
	b) payables to customers	2,773,315,612	2,649,018,264
	c) Outstanding securities	172,139,430	191,529,039
20.	Financial liabilities from trading	312,688	46,458
30.	Financial liabilities measured at fair value		
40.	Hedges	613,616	734,746
50.	Adjustment of value of generic hedges for financial liabilities (+/-)		
60.	Tax liabilities	9,187,621	2,243,611
	a) current	6,931,164	47,524
	b) deferred	2,256,456	2,196,087
70.	Liabilities associated to assets in the course of divestment		
80.	Other liabilities	105,075,218	141,423,478
90.	Employee severance pay	3,863,696	3,771,236
100.	Risk and expense funds:	2,150,248	2,320,590
	a) commitments and issued guarantees	2,096,179	2,247,542
	b) pensions and similar commitments		
	c) other risk and expense funds	54,069	73,048
110.	Valuation reserves	1,846,376	-1,567,282
120.	Redeemable shares		
130.	Equity instruments		
140.	Reserves	-66,994,705	-70,220,097
150.	Premiums on 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	13,200,000	3,500,000
	<b>Total liabilities and shareholders' equity</b>	<b>3,806,584,580</b>	<b>3,765,458,748</b>

**PROFIT AND LOSS ACCOUNT**

	Line items	31/12/2019	31/12/2018
10.	Earned interest and similar income	74,632,913	77,240,003
	of which: earned interest calculated using the actual interest method	72,720,933	74,975,992
20.	Interest expenses and similar expenses	-14,520,828	-14,235,808
<b>30.</b>	<b>Interest income</b>	<b>60,112,084</b>	<b>63,004,196</b>
40.	Commission income	30,767,561	30,108,528
50.	Commission expenses	-2,704,781	-2,500,689
<b>60.</b>	<b>Commission income</b>	<b>28,062,780</b>	<b>27,607,839</b>
70.	Dividends and similar income	1,418,778	318,115
80.	Net trading result	2,702,206	-335,994
90.	Net hedging result	91,331	-10,456
100.	Gains (losses) from the disposal or repurchase of:	-2,295,202	-224,280
	a) financial assets measured at amortized cost	-2,401,883	-364,904
	b) financial assets measured at fair value with impact on total profits	204,980	106,042
	c) financial liabilities	-98,300	34,582
110.	Net income of 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		
<b>120.</b>	<b>Operating income</b>	<b>90,091,977</b>	<b>90,359,420</b>
130.	Net adjustments/write-backs of value due to impairment of:	-10,344,791	-25,930,661
	a) financial assets measured at amortized cost	-10,880,625	-25,971,379
	b) financial assets measured at fair value with impact on total profits	535,834	40,718
140.	Profits/losses due to contract modifications without derecognition	-225,763	-21,040
<b>150.</b>	<b>Net income from financial assets</b>	<b>79,521,424</b>	<b>64,407,719</b>
160.	Administrative costs:	-60,880,969	-60,407,918
	a) personnel costs	-27,133,137	-26,209,957
	b) other administrative costs	-33,747,833	-34,197,962
170.	Net allocations to risk and expense funds	170,342	160,431
	a) commitments and issued guarantees	151,363	158,315
	b) other net allocations	18,979	2,116
180.	Net adjustments/write-backs to property, plants and equipment	-5,433,283	-3,008,502
190.	Net adjustments/write-backs to intangible assets	-289,360	-163,706
200.	Other operating costs/income	4,698,512	3,801,875
<b>210.</b>	<b>Operating costs</b>	<b>-61,734,759</b>	<b>-59,617,821</b>
220.	Profit (loss) from equity investments	248,956	706,147
230.	Net result of fair value measurement of property, plants and equipment and intangible assets	0	
240.	Adjustments to value of goodwill	-1,684,235	-2,150,195
250.	Gains (losses) from the disposal of investments	1,963	5,738
<b>260.</b>	<b>Gains (losses) from current operations before tax</b>	<b>16,353,349</b>	<b>3,351,588</b>
270.	Fiscal year income tax on current operations	-3,153,349	148,412
<b>280.</b>	<b>Gains (losses) from current operations before tax</b>	<b>13,200,000</b>	<b>3,500,000</b>
290.	Gains (losses) from disposed assets after tax		
<b>300.</b>	<b>Fiscal year profit (loss)</b>	<b>13,200,000</b>	<b>3,500,000</b>



## SCHEDULE OF OVERALL PROFITABILITY

	Line items	31/12/2019	31/12/2018
10.	<b>Fiscal year profit (loss)</b>	<b>13,200,000</b>	<b>3,500,000</b>
	<b>Other income components net of tax without reversal to income statement</b>		
20.	Capital securities measured at fair value with impact on total profits	20,955	-27,423
30.	Financial liabilities measured at fair value with impact on the income statement (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	-170,994	-39,280
80.	Non-current assets and groups of assets in the course of divestment		
90.	Share of valuation reserves of equity investments measured on basis of shareholders' equity		
	<b>Other income components net of tax with reversal to income statement</b>		
100.	Hedging of foreign investments		
110.	Exchange rate differences		
120.	Hedging cash flows		
130.	Hedging instruments (unmeasured elements)		
140.	Financial assets (other than capital securities) measured at fair value with impact on total profits	3,563,697	-3,468,306
150.	Non-current assets and groups of assets in the course of divestment		
160.	Share of valuation reserves of equity investments measured on basis of shareholders' equity		
170.	<b>Total other income components net of tax</b>	<b>3,413,658</b>	<b>-3,535,009</b>
180.	<b>Overall profitability (line items 10+170)</b>	<b>16,613,658</b>	<b>-35,009</b>



**TABLE OF VARIATIONS TO SHAREHOLDERS' EQUITY**

TABLE OF VARIATIONS TO SHAREHOLDERS' EQUITY AT 31/12/2019	Amounts as at 31/12/2018	Modification of opening balances	Amounts as at 01/01/2019	Allocation of prior fiscal year result		Fiscal year variations											
				Reserves	Dividends and other allocations	Variations of reserves	Transactions on shareholders' equity						Overall profitability at 31/12/2019	Shareholders' equity at 31/12/2019			
							Issue of new shares	Purchase of treasury shares	Distribution of extraordinary	Variation equity instruments	Derivatives on treasury shares	Stock options					
<b>Share capital:</b>																	
a) ordinary shares	232,800,000		23,800,000														232,800,000
b) other shares	0																0
<b>Premiums on issue of new shares</b>	<b>803,240</b>		<b>803,240</b>														<b>803,240</b>
<b>Reserves:</b>																	
a) from gains	-70,220,097		-70,220,097	3,500,000		-274,608											-66,994,705
b) other	0																0
<b>Valuation reserves</b>	<b>-1,567,282</b>		<b>-1,567,282</b>										3,413,658				<b>1,846,376</b>
Equity instruments	0																0
Treasury shares	0																0
<b>Fiscal year profit (loss)</b>	<b>3,500,000</b>		<b>3,500,000</b>	<b>-3,500,000</b>									13,200,000				<b>13,200,000</b>
<b>Shareholders' equity</b>	<b>165,315,861</b>	<b>0</b>	<b>165,315,861</b>	<b>0</b>	<b>0</b>	<b>-274,608</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>16,613,658</b>				<b>181,654,911</b>





TABLE OF VARIATIONS TO SHAREHOLDERS' EQUITY AT 31/12/2018	Amounts as at 31/12/2017	Modification of opening balances	Amounts as at 01/01/2018	Allocation of prior fiscal year result		Fiscal year variations							Shareholders' equity At 31/12/2018
				Reserves	Dividends and other allocations	Variations of reserves	Transactions on shareholders' equity					Overall profitability at 31/12/2018	
							Issue of new shares	Purchase of treasury shares	Distribution of extraordinary	Variation equity instruments	Derivatives on treasury shares		
<b>Share capital:</b>													
a) ordinary shares	232,800,000		232,800,000										232,800,000
b) other shares	0												0
<b>Premiums on issue of new shares</b>	803,240		803,240										803,240
<b>Reserves:</b>													
a) from gains	3,425,493	-78,145,591	-74,720,097	4,500,000									-70,220,097
b) other	0												0
<b>Valuation reserves</b>	-1,481,232	3,448,958	1,967,727								-3,535,009		-1,567,282
Equity instruments	0												0
Treasury shares	0												0
<b>Fiscal year profit (loss)</b>	4,500,000		4,500,000	-4,500,000							3,500,000		3,500,000
<b>Shareholders' equity</b>	240,047,502	-74,696,632	165,350,870								-35,009		165,315,861

#### Detail of modifications of opening balance

<b>Reserves - a) from gains:</b>	<b>-78,145,591</b>
<b>- Recognition of reserves from FTA: Impairment of financial assets measured at amortized cost:</b>	<b>-74,689,176</b>
FTA - Receivables from customers: Impairment Stage 3 - UTP	-40,561,171
FTA - Receivables from customers: Impairment Stage 3 - Non-performing loans	-28,486,027
FTA - Receivables from customers: Impairment Stage 3 - PD	-543,047
FTA - Receivables from customers: Impairment Stage 2	-2,698,695
FTA - Receivables from customers: Impairment Stage 1	-2,320,506
FTA - Receivables from banks: Impairment Stage 1	-31
FTA - HTC securities	-79,699
<b>- Recognition of reserves from FTA: Impairment on commitments and issued guarantees</b>	<b>-2,405,857</b>
FTA – Issued guarantees: Impairment	-2,405,857
<b>- Recognition of reserves from FTA: Impairment on financial assets measured at fair value with impact on OCI:</b>	<b>-797,406</b>
FTA - HTCS Securities with impact on OCI: Impairment	-797,406
<b>- Recognition of reserves from FTA: Reclassification reserve on AFS Securities transferred to financial assets measured at fair value with recognition of income effects through profit and loss:</b>	<b>-253,152</b>



FTA - Reclassification Reserve AFS Securities transferred to FVTPL	-253,152
<b>Valuation reserves:</b>	<b>3,448,958</b>
<b>- Reclassification reserve on AFS securities:</b>	<b>2,651,553</b>
AFS Securities reclassified among financial assets measured at amortized cost – gross value	3,708,529
AFS Securities reclassified among financial assets measured at amortized cost - taxation	-1,226,410
AFS Securities reclassified among financial assets measured at fair value with recognition of income effects through profit and loss	253,152
AFS Securities reclassified among financial assets measured at fair value with recognition of income effects through profit and loss – taxation	-83,717
<b>- Recognition of valuation reserves: Impairment of financial assets measured at fair value with impact on OCI:</b>	<b>797,406</b>
HTCS Securities with impact on OCI: Impairment	797,406
HTCS Securities with impact on OCI: Taxation on impairment	0



## CASHFLOW STATEMENT

INDIRECT METHOD		
	Amounts	Amounts
	31/12/2019	31/12/2018
<b>A. OPERATING ASSETS</b>		
<b>1 Management</b>	<b>29,912,468</b>	<b>33,801,731</b>
- Fiscal year results (+/-)	13,200,000	3,500,000
- Gains/losses on financial assets held for trading and other financial assets/ liabilities measured at fair value with recognition of income effects through profit and loss (+/-)	-2,246,642	1,336,817
- Gains/losses on assets used for hedging (+/-)	-91,331	10,456
- Net adjustments/write-backs due to impairment (+/-)	10,344,791	25,930,661
- Net adjustments/write-backs of value of property, plant and equipment and intangible assets (+/-)	5,722,643	3,172,208
- Net allocations to risk and expense funds and other costs/income (+/-)	-170,342	-160,431
- Outstanding duties, taxes and receivables (+)	3,153,349	-148,412
- Net adjustments/write-backs of value of groups of assets being divested net of tax (+/-)		
- Other adjustments (+/-)		160,431
<b>2 Liquidity generated/absorbed by financial assets</b>	<b>-31,817,911</b>	<b>-413,185,569</b>
- Financial assets held for trading	44,729,257	-96,881,928
- Financial assets measured at fair value		
- Other assets obligatorily measured at fair value	-10,324,026	-56,949,047
- Financial assets measured at fair value with impact on total profits	33,875,524	144,879,880
- Financial assets measured at amortized cost	-134,960,329	-362,630,979
- Other assets	34,861,663	-41,603,494
<b>3 Liquidity generated/absorbed by financial liabilities</b>	<b>24,942,825,35</b>	<b>389,004,466</b>
- Financial liabilities valued at amortized cost	54,123,814	388,204,935
- Financial liabilities from trading	266,230	-33,620
- Financial liabilities measured at fair value		
- Other liabilities	-29,447,219	833,152
<b>Net liquidity generated /absorbed by operating assets</b>	<b>23,037,382</b>	<b>9,620,628</b>
<b>B. INVESTMENT ACTIVITIES</b>		
<b>1 Liquidity generated by</b>	<b>325,085</b>	<b>-134,886</b>
- Sale of equity investments		
- Dividends received from equity investments		
- Sale of property, plants and equipment	325,085	-134,886
- Sale of intangible assets		
- Sale of branches of business		
<b>2 Liquidity absorbed by</b>	<b>-22,905,098</b>	<b>-7,641,242</b>
- Purchase of equity investments		-5,000,000
- Purchase of property, plants and equipment	-21,250,113	-2,442,297
- Purchase of intangible assets	-1,654,985	-198,945
- Purchase of branches of business		
<b>Net liquidity generated/absorbed by investment activities</b>	<b>-22,580,012</b>	<b>-7,776,128</b>
<b>C. FUNDING ACTIVITIES</b>		
- Issues/purchases of treasury shares		
- Issues/purchases of equity instruments		
- Distribution of dividends and other purposes		
<b>Net liquidity generated/absorbed by funding activities</b>		
<b>NET LIQUIDITY GENERATED/ABSORBED DURING THE FISCAL YEAR</b>	<b>457,370</b>	<b>1,844,500</b>

Key:

(+ ) generated

(- ) absorbed

**RECONCILIATIONS**

Line items of the financial statements	Amounts	
	31/12/2018	31/12/2017
Cash and cash equivalents at the beginning of the fiscal year	13,580,860	13,580,860
Total net liquidity generated/absorbed during the fiscal year	457,370	1,844,500
Cash and cash equivalents: effect of variation of exchange rates		
Cash and cash equivalents at the close of the fiscal year	14,038,230	15,425,360

# Explanatory Notes



**BANCA  
CAMBIANO** 1884  
SOCIETÀ PER AZIONI



# **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 2019, 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 principles. The Bank's financial statements for the fiscal year are composed of the balance sheet, the income statement, the schedule of overall profitability, the table of variations to shareholders' equity, the explanatory notes and the relative comparative information, and are also accompanied by a report on operations, on the economic results and on the Bank's equity and financial situation. 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.

### Section 2 – General preparation standards

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 favors better comprehension of the financial statements in review.

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

See the respective section provided for within the Board of Director's report on management.

### Section 4 – Other aspects

The Bank's financial statements were submitted to audit by the company Baker Tilly Revisa s.p.a.. 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.

**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.

**Transition to International accounting principle IFRS 16 – Scope of application– Booking criteria – Measurement.**

IFRS 16 introduces and is based on the concept of transfer of the right of use of an asset that is leased: therefor a contract is, or contains, a lease if, in exchange for a price, it grants the right to control the use of a specific asset for a period of time. This concept broadens the scope of application of the principle, which must hence be adopted for tenancy, hire, rental and other such similar contracts. IFRS 16 must be applied starting from the balance sheet referring to fiscal years that begins 01/01/2019, replacing the previous IAS 17 principle and respective interpretations. The new principle annuls, for lessees, the accounting dualism between financial leases and operating leases, defining only one accounting model that requires booking:

- A right of use in the assets line items of the Balance Sheet (Right of Use, RoU);
- A lease liability in the liabilities line items of the Balance Sheet (Lease Liability, LL);
- In the Profit and loss account, amortization of the right of use and financial charges calculated on the lease liability.

On first booking, the lease liability is equal to the actual value of the payments due for the lease, discounted using the implicit interest rate of the lease, if it can be easily calculated, or in alternative at the Bank’s incremental borrowing rate. On first booking, the right of use is equal to the initial measurement of the lease liability, increased by the payments due for the lease carried out on or prior to the start date net of any lease incentives received, the initial direct costs borne by the lessee and the estimation of the costs that the lessee will have to bear to dismantle or remove the asset or restore the conditions required by the contract. The right of use and the lease liability must be booked in the line item property, plants and equipment and liabilities at amortized cost, as specified in the 6th Update of Circular n. 262 dated 22 December 2005, issued by Bank of Italy on 30 November 2018. Following the studies and analyses conducted, as at 01/01/2019 the following contracts fall within the scope of application of the principle:

- n. 37 property leases for buildings used as bank branches;
- n. 6 ATM location lease contract;
- n. 5 leases for other properties;
- n. 2 vehicle leases.

**Transition to International accounting principle IFRS 16 – assumption for FTA – Method of transition.**

The rules for transition during first time adoption for IFRS 16 (so-called FTA – First Time Adoption) provide for the possibility of adopting one of the following approaches:

- “Full retrospective” approach: the effects of the new standard are applied retroactively for each financial period, adjusting the comparative data. This approach does not allow for adoption of the “practical expedients”;





- “Modified retrospective” approach: the effects of the new standard are applied retroactively, recognizing the cumulative effect deriving from application of retained earnings at the date of first adoption. This approach provides for two options related to measurement of right of use:
  - o Option 1: measurement of the asset at book value, as if the principle had been applied since the commencement date of the lease, but using a discount rate based on the lessee’s incremental borrowing rate at the date of initial application; or
  - o Option 2: measuring the asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued income immediately before the date of initial application.

Banca Cambiano 1884 s.p.a. has adopted the “modified retrospective” approach, applying option 2, also in light of the smaller operational effects associated to initial adoption of the principle, as well as the possibility of using the “practical expedients”.

#### Transition to International accounting principle IFRS 16 – Practical expedients.

As permitted by the Standard, the Bank intends to avail itself of the following practical expedients:

- Possibility of not applying the accounting model to short-term leases with an end date scheduled within 12 months of the date of initial application, and to leases in which the underlying assets has a modest value, the reference value being set at 5,000.00 euro;
- Possibility of excluding initial direct costs from the value of the right of use at the date of initial application;
- Possibility of basing evaluations on past experiences, for example, in determining the duration of a lease containing lease extension or resolution options.

#### Transition to International accounting principle IFRS 16 – Definition of the discount rate.

In absence of an implicit borrowing rate provided for in the contract, Banca Cambiano 1884 s.p.a. has chosen to define an incremental borrowing rate, at a Bank level, that reflects:

- creditworthiness;
- contract duration;
- macro-economic context of reference.

In light of the above, the Bank has chosen to calculate the discount rate as the IRR of a transactions that has:

- as initial disbursement: the current value of payment flows discounted by the average rate at each maturity date;
- as future flows: the contract flows, which have been discounted using spot rates deduced from the curve of the EUR Financials BBB+, BBB, BBB-, BVAL Yield Curve (BVSC0016 Index) rates.

The rate thus calculated is used to calculate the right of use and lease liability for each contract at the date of FTA. The weighted average discount rate that Banca Cambiano 1884 s.p.a. used during FTA was equal to 1.98%.

#### Transition to International accounting principle IFRS 16 – Impact on principle financial positions.

The application of the calculation model required by IFRS 16 and applicable to contracts within the field of application of the Standard at 01/01/2019 has lead to the quantification of FTA balance as follows:

- Right of use, amounting to a total of 17,112,964.73 euro;
- Lease liability, amounting to a total of 17,055,564.14 euro;
- Transfer of prepayments, amounting to a total of 57,400.59 euro.

Below is the balance sheet at 01/01/2019 with the FTA adjustment relating to coming into force of IFRS16:

#### Version as per Circular 262 – 6th update dated 30/11/2018 (implementing IFRS 16 accounting principle) in force starting 1/01/2019

	Asset line items	31/12/2018	FTA Adjustment- IFRS 16	01/01/2019
10.	Cash and cash equivalents	13,580,860.29	0.00	13,580,860.29
20.	Financial assets measured at fair value with recognition of income effects through profit and loss	177,963,876.96	0.00	177,963,876.96
	a) financial assets held for trading	121,419,581.57	0.00	121,419,581.57
	b) financial assets measured at fair value	0.00	0.00	0.00
	c) other financial assets obligatorily measured at fair value	56,544,295.39	0.00	56,544,295.39
30.	Financial assets measured at fair value with impact on total profits	389,393,708.11	0.00	389,393,708.11
40.	Financial assets measured at amortized cost	2,965,841,640.96	0.00	2,965,841,640.96
	a) receivables from banks	249,782,058.02	0.00	249,782,058.02
	b) receivables from customers	2,716,059,582.94	0.00	2,716,059,582.94
50.	Hedges	0.00	0.00	0.00
60.	Adjustment of value of generic hedges for financial assets (+/-)	0.00	0.00	0.00



	Asset line items	31/12/2018	FTA Adjustment- IFRS 16	01/01/2019
70.	Equity investments	43,560,797.67	0.00	43,560,797.67
80.	Property, plants and equipment	57,539,225.07	17,112,964.73	74,652,189.80
90.	Intangible assets	5,404,453.74	0.00	5,404,453.74
	of which:			
	- goodwill	4,824,577.00	0.00	4,824,577.00
100.	Tax receivables	28,770,715.88	0.00	28,770,715.88
	a) current	6,207,366.87	0.00	6,207,366.87
	b) pre-paid	22,563,349.01	0.00	22,563,349.01
110.	Non-current assets and groups of assets in the course of divestment	0.00	0.00	0.00
120.	Other assets	83,403,469.34	-57,400.59	83,346,068.75
	<b>Total assets</b>	<b>3,765,458,748.02</b>	<b>17,055,564.14</b>	<b>3,782,514,312.16</b>

**Version as per Circular 262 – 6th update dated 30/11/2018 (implementing IFRS 16 accounting principle) in force starting 1/01/2019**

	Liability line items and shareholders' equity	31/12/2018	FTA adjustment - IFRS 16	01/01/2019
10.	Financial liabilities valued at amortized cost	3,449,602,767.24	17,055,564.14	3,466,658,331.38
	a) payables to banks	609,055,464.00	0.00	609,055,464.00
	b) payables to customers	2,649,018,264.39	17,055,564.14	2,666,073,828.53
	c) Outstanding Securities	191,529,038.85	0.00	191,529,038.85
20.	Financial liabilities from trading	46,458.39	0.00	46,458.39
30.	Financial liabilities measured at fair value	0.00	0.00	0.00
40.	Hedges	734,746.00	0.00	734,746.00
50.	Adjustment of value of generic hedges for financial liabilities (+/-)	0.00	0.00	0.00
60.	Tax liabilities	2,243,611.45	0.00	2,243,611.45
	a) current	47,523.96	0.00	47,523.96
	b) deferred	2,196,087.49	0.00	2,196,087.49
70.	Liabilities associated to assets in the course of divestment	0.00	0.00	0.00
80.	Other liabilities	141,423,477.95	0.00	141,423,477.95
90.	Employee severance pay	3,771,235.73	0.00	3,771,235.73
100.	Risk and expense funds:	2,320,590.26	0.00	2,320,590.26
	a) commitments and issued guarantees	2,247,542.00	0.00	2,247,542.00
	b) pensions and similar commitments	0.00	0.00	0.00
	c) other risk and expense funds	73,048.26	0.00	73,048.26
110.	Valuation reserves	-1,567,281.99	0.00	-1,567,281.99
120.	Redeemable shares	0.00	0.00	0.00
130.	Equity instruments	0.00	0.00	0.00
140.	Reserves	-70,220,097.08	0.00	-70,220,097.08
150.	Premiums on issue of new shares	803,240.07	0.00	803,240.07
160.	Share capital	232,800,000.00	0.00	232,800,000.00
170.	Treasury shares (-)	0.00	0.00	0.00
180.	Profits	3,500,000.00	0.00	3,500,000.00
	<b>Total liabilities and shareholders' equity</b>	<b>3,765,458,748.02</b>	<b>17,055,564.14</b>	<b>3,782,514,312.16</b>

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

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

#### 1.1 Classification criteria

Financial assets other than those classified as “Financial assets measured at fair value with impact on total profits” and “Financial assets measured at amortized cost” are allocated to this line item. Specifically, this line item includes financial assets held for trading, essentially represented by debt securities, capital securities, derivative contracts held for trading with positive fair value and financial assets obligatorily valued at fair value, which are financial assets that do not meet the requirements for measurement at amortized cost or at fair value with impact on total profits. These are financial assets with contract terms that do not provide solely for repayment of principal and payment of interest on the amount of principal to be repaid (so-called “SPPI test” failed) or that are not held within the framework of a business model the objective of which is holding financial assets to collect contractual cash flows (HTC business model) or if the objective of



the business model is both collection of contractual cash flows and trading (HTCS business model). Therefore, this line item includes:

- debt securities and loans that are included in an Other/Trading business model (therefore not in a “HTC” or “HTCS” business model) or that fail the SPPI Test;
- equity investments that do not qualify as holdings in subsidiaries, associated or joint venture companies, held for trading or which were not measured at fair value with impact on total profits on initial recognition;
- certificates of participation in mutual funds;
- derivative contracts, booked as financial assets held for trading, which are allocated to assets if the fair value is positive or to liabilities if the fair value is negative.

Based on the general rules set out in IFRS 9 regarding the reclassification of financial assets (with the exception of capital securities, for which reclassification is not admitted), 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 fair value with recognition of income effects through profit and loss” to one of the other two categories provided for by IFRS 9, those being “Financial assets measured at amortized cost” or “Financial assets measured at fair value with impact on total profits”. 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. 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 allocation 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”.

### 1.2 Recognition criteria

Debt securities and capital securities are recognized on the date of settlement and derivative contracts are recognized at the date of undersigning.

Financial assets measured at fair value with recognition of income effects through profit and loss are initially recognized at fair value, without considering costs or income directly attributable to the instrument itself.

### 1.3 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.

### 1.4 Derecognition criteria

Financial assets are derecognized 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 recognized on the balance sheet, even though the official title has been transferred.

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

### 2.1 Classification criteria

This line item includes all financial assets that meet the following requirements:

- the objective of the respective business model is both collection of contractual cash flows and trading (HTCS 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).

This line items also includes equity investments not held for trading which initially recognized at fair value with impact on total profits.

More specifically, this line item includes:

- debt securities that are included in an HTCS business model and that have passed the SPPI Test;
- equity investments that do not qualify as holdings in subsidiaries, associated or joint venture companies, not held for trading, which were measured at fair value with impact on total profits on;
- loans included in an HTCS business model that have passed the SPPI test.

Based on the general rules set out in IFRS 9 regarding the reclassification of financial assets (with the exception of capital securities, for which reclassification is not admitted), 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 fair value with recognition of income effects through profit and loss” to one of the other two categories provided for by IFRS 9, those being “Financial assets measured at amortized cost” or “Financial assets measured at fair value with impact on total profits”. 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. In the event of reclassification from the category in question to the category of assets measured at amortized cost, cumulative gains (losses) recognized in revaluation reserve is carried over to compensate the fair value of the asset at the reclassification date. In the event of reclassification to fair value with recognition of income effects through profit and loss, the cumulative gains (losses) previously recognized in the revaluation reserve is reclassified from shareholders' equity to fiscal year profit (loss). For more information regarding financial asset classification criteria, please consult the next section, "Financial asset classification criteria".

### 2.2 Recognition criteria

Debt securities and capital securities are initially recognized at the date of settlement and loans are initially recognized at the date of disbursement. On initial recognition, assets are booked at fair value, comprehensive of transaction costs or income directly attributable to the instrument itself.

### 2.3 Measurement criteria

Subsequent to initial recognition, "Financial assets classified at fair value with impact on overall profitability", other than capital securities, are measured at fair value, with recognition of gains or losses deriving from variation in fair value in a specific reserve shareholders' equity until the financial asset is derecognized. On sale of the asset, be it total or partial, cumulative gains or losses in the revaluation reserve are recognized, in whole or in part, in the income statement. Equity instruments for which the option of valuation in this category has been exercised, are measured at fair value and the amounts are recognized with contra-entry to shareholders' equity. The same equity instruments remain allocated to shareholders' equity even if sold; the only component of the capital securities in question that is subject to recognition in the income statement is represented by the respective dividends. The fair value is calculated based on the criteria illustrated above for "Financial assets measured at fair value with recognition of income effects through profit and loss". As regards capital securities included in this category, not listed on an active market, cost is used to estimate fair value only residually and in a limited number of circumstances. "Financial assets measured at fair value with impact on total profits", in the form of both debt securities and receivables, are subject to the assessment of significant increase in credit risk (impairment) provided for by IFRS 9, just like "Assets at amortized cost", with consequent recognition in the income statement of a value adjustment to hedge expected losses. More in detail, for instruments classified in stage 1, on initial recognition and at each subsequent reporting date, the expected loss at one year is entered. Instead, for instruments classified in stage 2 and in stage 3 the expected loss for the entire residual life of the financial instrument is booked. Capital securities are not subject to the impairment process.

### 2.4 Derecognition criteria

Financial assets are derecognized 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 recognized on the balance sheet, even though the official title has been transferred.

## 3. Financial assets measured at amortized cost

### 3.1 Classification criteria

A financial asset is classified among financial assets measured at amortized cost if it meets 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 (with the exception of capital securities, for which reclassification is not admitted), 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 fair value with recognition of income effects through profit and loss" to one of the other two categories provided for by IFRS 9, those being "Financial assets measured at amortized cost" or "Financial assets measured at fair value with impact on total profits". 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 recognized 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".

### 3.2 Recognition criteria



Debt securities are initially recognized at the date of settlement and loans are initially recognized at the date of disbursement. On initial recognition, assets are booked at fair value, comprehensive of transaction costs or income directly attributable to the instrument itself.

### 3.3 Measurement criteria

Subsequent to initial recognition, these assets are measured at amortized cost using the effective interest rate method. Thus, the asset is recognized 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 recognized 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 recognized 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 recognized in the balance sheet or if, to the contrary, the original asset should be derecognized, 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.

#### **3.4 Derecognition criteria**

Financial assets are derecognized 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 recognized 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 derecognized 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.

### **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.

#### **4.1 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.

#### **4.2 Recognition criteria**

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

#### **4.3 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 recognized 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 recognized 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% to 150%, the variations of risk of the hedged instrument. An effectiveness test is conducted at the close of financial statements. If a generic fair value generic hedge relationship is interrupted, cumulative value adjustments/write-downs entered at line item “Adjustment of value of generic hedges for financial assets” or line item 50 “Adjustment of value of generic hedges for financial liabilities” are recognized 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**

#### **5.1 Classification criteria**



Shareholdings that entail control, joint control or 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.

### 5.2 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 recognized at purchase cost, supplemented by directly attributable costs.

### 5.3 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.

### 5.4 Derecognition criteria

Financial assets are derecognized 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.

### 5.5 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 recognized 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 recognized in line item 220 of the income statement, "Profit/loss from equity investments".

## 6. Property, plants and equipment

### 6.1 Classification criteria

This item includes land, property used for operating purposes, installations, furniture and decor and other equipment. Property used for operating purposes is any property used by the company for the purpose of providing services or for administrative purposes. The value for property, plant and equipment also includes advance payments for the purchase and restructuring of goods not yet a part of the production process, and therefore not yet subject to amortization.

### 6.2 Recognition criteria

Property, plants and equipment are initially recognized at purchase or construction cost, inclusive of accessory charges sustained and directly attributable to when the asset is purchased and put into operation. Extraordinary maintenance costs and costs that result in an increase of future economic benefits are allocated to increases of value of the assets and amortized in relation to residual possibility of use of the same. Costs for repairs, other maintenance or interventions to guaranty regular operation of the assets are instead recognized directly in the income statement of the fiscal year during which they are sustained.

### 6.3 Measurement criteria

After initial recognition, property, plant and equipment are recognized 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 property; 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.

### 6.4 Derecognition criteria

Property, plants and equipment are derecognized when they are sold or when the economic benefits related to their use cease to exist.

### 6.5 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 recognized 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 recognized 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**

### **7.1 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 recognized 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.

### **7.2 Recognition criteria**

Intangible assets are recognized 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, recognized 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 recognized in the income statement at item “Adjustments to value of goodwill”. Any impairment loss recognized for goodwill cannot be derecognized in the subsequent fiscal year.

### **7.3 Measurement criteria**

Subsequent to initial recognition, intangible assets of limited duration are recognized 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 derecognized. 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, recognized in the income statement, is equal to the difference between the asset’s carrying amount and its recoverable value.

### **7.4 Derecognition criteria**

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

### **7.5 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 recognized 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.

#### **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**

The Bank calculates income taxes, current, differed and pre-paid, based on current rates and they are recognized in the income statement, with the exception of those relative to items that are charged or credited directly to equity. Allocations for income taxes are calculated based on an estimate of the current, pre-paid and deferred tax burden. Pre-paid taxes and deferred taxes are calculated based on the temporary difference – without time limits – between the value attributed to an asset or liability based on civilistic criteria, and the corresponding values for tax purposes. Pre-paid tax assets are recorded in the balance sheet to the extent in which there is a probability they will be recovered, measured on the basis of the capacity of the company in question or the controlling company to continue to generate positive taxable income, taking into account the effect of exercising the option for the so-called “consolidated fiscal regime”. Deferred tax liabilities are recognized in the balance sheet in that the amount of the available taxed reserves is such that it may reasonably be held that transactions which 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”. Assets and liabilities recorded for pre-paid and deferred taxes are measured systematically to take into account any changes in rates or current regulations.

#### **11. Risk and expense funds**

##### **11.1 Risk and expense funds against commitments and issued guarantees**

This line sub-item of risk and expense funds includes provisions for credit risks related to commitments and issued guarantees that fall within the scope of application of the regulations regarding impairment provided for by IFRS 9. In principal, these items are allocated in the same manner to the three credit risk stages, based on the same calculation method for expected loss as financial assets measured at amortized cost or at fair value with impact on total profits. This aggregate also includes risk and expense funds for other types of commitments and issued guarantees which, due to their peculiarities, cannot be included within the aforementioned scope of application of impairment provided for by IFRS 9.

##### **11.2 Other risk and expense funds**

This item includes provisions for legal obligations or obligations connected to employment relationships or controversies, including those related to taxation, originating from past events, for which an outflow of resources will probably be required to settle the obligation, provided that the amount can be reliably estimated. Consequently, a provision is recognized only if:

- there is a current obligation (legal or implicit) originating from a past event;
- it is probable that resources producing economic benefits will need to be used to settle the obligation;
- a reliable estimation of the amount required to settle the obligation can be made.

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 provision is reversed when it becomes improbable that an outflow of resources producing economic benefits will be required to settle the obligation or when the obligation ceases to exist. This item includes long-term benefits for employees, which are calculated using the same accounting criteria described for pension provisions. Accounting gains and losses are immediately booked to the income statement.

#### **12. Financial liabilities measured at amortized cost**

##### **12.1 Classification criteria**

The line items “Payables to banks”, “Payables to customers” and “Outstanding Securities” include the various forms of interbank and customer funding, repurchase agreements with commitment to repurchase and overall deposits through certificates of deposit, securities and other outstanding instruments, net of any repurchases. This category also includes liabilities entered by the company as lessor within the scope of financial leasing transactions.

##### **12.2 Recognition criteria**



These financial liabilities are initially recognized on the date of undersigning of the contract, which generally coincides with the date of receipt of the deposited sum or of the issue of the debt securities. The liabilities are initially recognized 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 transactions. In-house administrative costs are not included in the item.

#### **12.3 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.

#### **12.4 Derecognition criteria**

Financial liabilities are derecognized when settled or expired, or repurchased in the case of previously issued securities. In this latter case, the difference between the book value and the purchase value 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.

### **13. Financial liabilities from trading**

#### **13.1 Recognition criteria**

These financial instruments are recognized 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.

#### **13.2 Measurement criteria**

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

#### **13.3 Derecognition criteria**

Financial liabilities held for trading are derecognized 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**

#### **15.1 Classification criteria**

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

#### **15.2 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.

#### **15.3 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.

#### **15.4 Criteria for recognition of income components**

Exchange rate differences of operations in foreign currency are recognized 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.

#### **Income Statement**

Revenues are measured at fair value of the amount received or due and are recognized when future benefits are likely to be received and such benefits may be reliably measured. Expenses are recognized when incurred. Expenses that cannot be associated with revenue are immediately recognized 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 recognized 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 recognized 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 recognized 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 recognized in the income statement. Default interest, where provided for by contract, is entered in the income statement only when paid. Losses in value are recognized 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 derecognized and a new financial instrument is recognized, 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 evaluate, both quantitatively and qualitatively, if the contractual cash flows still fulfill 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 a 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 to 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 is an integral part of the strategy. Both activities (collection of cash flows and sale of the asset) are indispensable 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 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 organization 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 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 recognized 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 recognized 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, 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 on 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 installments). 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 = deterioration 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:

$$DR \times LGD \times EAD$$

where:

- DR = deterioration 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; that is, therefore, an evaluation that is made by adopting a criterion of “relativity”. This criterion was revised during the meeting of the Board of Directors held on 27.09.2019, following the closing of the backtesting activity conducted by the Risk Management Office during June 2019. The new criterion, effective as of October 2019, in compliance with the current Bank’s current internal framework of the rating system, classifies in Stage 2 all exposures that have jumped 6 classes from the moment of origin of the probability of default used for internal management purposes, with a final classification with a class 11 probability of default, in lieu of the previous criterion that entailed passing to stage 2 of exposures that had jumped at least 6 classes from the moment of origin of the probability of default used for internal management purposes, with final classification with a class 14 or 15 probability of default. Application of the new criterion has entailed passing approximately n. 1,000 exposures from stage 1 to stage 2 of IFRS 9, with an increase of adjustments for a value of 1.5 Euro/Million;
- 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) – deterioration 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 installments, 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 regards 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 with 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).

**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 3:

- 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 4,874,772 Euro) refers to the valuation of former Banca A.G.C.I., with three territorial units in the cities of Bologna, Rome and Turin.

Therefore, Banca Cambiano 1884 SpA goodwill subject to impairment is equal to overall € 6,974,772. 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 allocation 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.

#### 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, Turin 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 2018 before the impairment test:

CGU	Book value before the impairment test	
Branches purchased within the scope of the way out operation	Bologna branch	2,001,492
	Turin branch	1,455,085
	Rome branch	1,368,000
	<b>TOTAL (A)</b>	<b>4,824,577</b>

#### Criteria used to calculate the recoverable value of the CGU

For the purpose of the impairment test, to calculate the recoverable value reference was made to the value in use based on the evaluation method known as the discounted cash flow method. This method calculates the value in use of an asset by discounting expected cash flows determined based on economic and financial projections elaborated with reference to the asset being evaluated. The flow from the last analytical forecast is projected perpetually through an appropriate long-term growth rate (“g”), in order to estimate the so-called “Terminal Value”. Future cash flows must be discounted at a rate that reflects the current assessments of the time value of money and the risks specific to the asset. Specifically, the rates to be applied must incorporate current market values referred to the risk free component and risk premium correlated to the share component, observed over a sufficiently long time frame as to reflect different market



conditions and economic cycles, and using an appropriate Beta coefficient in consideration of operational risk of the CGUs. The Discounted Cash Flow financial method, in the so-called "equity side" is expressed by the following formula:

$$W = \sum_{i=0}^n CF_i(1 + k_e)^{-i} + TV(1 + k_e)^{-n}$$

where:

W = value in use;

CF<sub>i</sub> = cash flow to time i;

i = year of reference of the flow;

n = time frame covered by financial forecasts;

Ke = discount rate;

TV = Terminal Value, corresponds to the current value of a perpetual source of income calculated based on a cash inflow that is sustainable over the long term with a constant growth rate equal to "g".

**Calculation of future cash flows.**

The value in use of each CGS was calculated by discounting the future cash flows referred to a five year forecasting period, from 2019-2023. Forecasts were elaborated starting from the economic and financial situation of each territorial unit at the end of 2017 (preliminary annual data), following two stages of assessment:

- for 2020, budget data were used;
- for the 2021-2024 period, in order to identify a long-term, sustainable, normalized income, economic and financial forecasts within an inertial growth context were development, considering the expected evolution of the macro-economic, the final position registered by each CGU, on the other hand, without considering the effects of future reorganizations or restructuring.

The table below shows the main assumptions on which the economic and financial forecasts used to estimate value in use were based and, in particular, the average compound annual growth rates (CAGR), the average annual rate variations and the income indexes for the last year of forecasting (2024). For a detailed analysis of the economic and financial forecasts, please consult Appendix n. 1 to this document.

CGU	CAGR 2020-2024				Average annual rate variation (bps)		Income indexes at 2024			
	Lending	Overall Direct deposits	Comm. income	Comm. expenses	Economic lending	Overall direct deposits	Average branch spread	Mg. Interim./ Overall direct deposits	Cost / Income	Gross Res./Direct deposits
Bologna branch	2.00%	2.00%	2.00%	2.00%	-3.0	-6.0	1.99%	2.89%	60.07%	0.46%
Turin branch	2.00%	2.00%	2.00%	2.00%	-3.0	-6.0	1.28%	2.11%	65.82%	0.11%
Rome branch	2.00%	2.00%	2.00%	2.00%	-10.0	-2.0	2.67%	3.70%	44.90%	1.26%

The Terminal Value, that includes the value referring to the period subsequent to that covered by explicit forecasts, was calculated considering a normalized flow resulting from the result expected at the last year of projection (2024) and assuming a prudential long-term growth rate "g" of 1.50%, which is in line with the current expected rate of inflation.

**Discount rate.**

The value in use is estimated by discounting the cash flows at a rate that takes into account 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.

The discount rate was estimated using the Capital Asset Pricing Model based on the following formula:

$$k_e = R_f + \beta \times (R_m - R_f)$$

where:

R<sub>f</sub> = Risk free rate;

(R<sub>m</sub> – R<sub>f</sub>) = Market Risk Premium;

β = Beta.

The CAPM expresses a linear relation in balanced market conditions between the return of an investment and its systemic risk. In greater detail, the return of an investment is calculated as a sum of the risk free rate (an expression of the time value of money) and the premium for the risk, this latter corresponding to the product between the beta of



the security and the premium for overall market risk (so-called “Equity Risk Premium”). The rate used to discount the cash flows ( $K_e \times 2$ ) was equal to 16.42% (in the previous estimation on values at December 2018, this rate was 9.35%) considering the following parameters:

- Risk Free Rate (Rf): this is the time value of money, corresponding to the return of a risk free investment normally represented by Government Bonds. Basically, the CAPM system refers to a risk free rate, but does not refer to the time period to be considered; therefore, in line with prevailing valuation practices that use long-term Government Bond rates of return, and considering the volatility of Italian Government Bond rates of return, the average rates of return for five-year treasury bonds was used prudentially applied (in line with the structure of Bank rates, which are prevalently floating rates), using the last data published by the MEF, in that it is the datum that is most consistent with the growth of the risk free rate (1.40%);
- Market Risk Premium ( $R_m - R_f$ ): this is the premium for market risk, which is the result of the difference between the return of a diversified portfolio composed of all risky investments available on the market and the return of a risk free asset. Specifically, a 5.20%, market risk premium was applied, in line with the valuation practice for the Italian market;
- Beta ( $\beta$ ): expresses the specific risk of the investment, represented by the correlation between the returns of a single risky investment and the returns of the market portfolio. Specifically, the Beta – derived from the databases currently used in valuation practices supplied by external providers – for the Italian market is 1.31.

### Results of the impairment test.

The impairment test requires comparing the recoverable value of the CGU, to which goodwill is allocated, and its book value. In compliance with the accounting principles, the value of goodwill must be adjusted when the book value of the CGU to which it is allocated is greater than the recoverable value of the same, which, in the case in question, is assumed to be equal to the value in use. The comparison between the book value and the recoverable value (value in use) of the CGUs, calculated as described above, gave the outcomes illustrated below.

CGU	Book value before impairment	Recoverable value (value in use)	Difference
Bologna branch CGU	2,001,492	1,772,342	-229,150
Turin branch CGU	1,455,085	90,842	-1,364,243
Rome branch CGU	1,368,000	5,546,446	4,178,446
<b>TOTAL</b>	<b>4,824,577</b>	<b>7,409,630</b>	<b>2,585,053</b>

The above evidence shows a loss in the value of goodwill allocated to the Bologna branch CGU for a total of 229,150 euro, and the Turin branch CGU for a total of 1,364,243, while the amount allocated to the Rome branch CGU remains confirmed. Therefore, the book value of the CGUs at 31.12.2019 is that shown in the table below:

CGU	Book value at 31.12.2019	
Branches purchased within the scope of the way out operation	Bologna branch	1,772,342
	Turin branch	90,842
	Rome branch	1,368,000
	<b>TOTAL</b>	<b>3,231,184</b>

### Sensitivity analysis

The main parameters used in the valuation model, such as cash flows and the discount rate, may be influenced, even considerably, by developments in the overall economic context, especially in the current market crisis conditions with prevailing uncertainty regarding future economic prospects. The effects that these changes may have on the calculation of hypothetical cash flows, as well as on the main financial assumptions, could therefore lead to future results that are different from those contained in this document. For these reasons, a sensitivity analysis was deemed useful in order to evaluate the effects on the estimated values in use, and therefore on the results of the impairment test, of variations in the main parameters at the base of the valuation model. Specifically, the impact of the following elements on the value in use of the CGUs was verified:

- a 50 b.p. variation of the base cost of capital (from 16.42% to 17.42%);
- a 150 b.p. variation of the long-term growth rate “g” (from 1.50% to 0.00%).

The tables that follow illustrate the value in use of the CGUs resulting from the sensitivity analysis, and the percent variation of the same value with respect to the value obtained using the “base” parameters.

CGU	Value in use before sensitivity analysis	Book value at 31/12/2019 (after sensitivity analysis)	Sensitivity analysis-		
			Increase of $K_e$ (+ 50bp)		
			Value in use after sensitivity analysis	Variation of value in use	Potential adjustment
Bologna branch	1,772,342	1,628,347	1,628,347	-8.12%	143,995



Turin branch	90,842	58,741	58,741	-3.34%	32,101
Rome branch	5,546,446	5,199,069	5,199,069	-6.26%	-
<b>Total</b>	<b>7,409,630</b>	<b>6,886,157</b>	<b>6,886,157</b>	<b>-7.06%</b>	<b>176,096</b>

As regards the cost of capital KE +0.50%, the analysis shows a decrease of value in use between 6.26% and 35.34%.

CGU	Value in use before sensitivity analysis	Book value at 31/12/2019 (after sensitivity analysis)	Sensitivity analysis-		
			Zeroing of g		
			Value in use after sensitivity analysis	Variation of value in use	Potential adjustment
Bologna branch	1,772,342	1,659,454	1,659,454	-6.37%	112,888
Turin branch	90,842	62,460	62,460	-3.24%	28,382
Rome branch	5,546,446	5,292,583	5,292,583	-4.58%	-
<b>Total</b>	<b>7,409,630</b>	<b>7,014,497</b>	<b>7,014,497</b>	<b>-5.33%</b>	<b>141,270</b>

The sensitivity analysis carried out with zeroing of the long-term growth rate “g”, shows a decrease in values between 4.58% and 31.24%.

As a further stress test, a variation of the discount rate sufficient to make the value in use of the CGU equal to its book value was taken into consideration, that is to say, the limit value of cost of capital (Ke) beyond which the impairment test on the CGU would show a loss of value.

CGU	Value in use 31/12/2019	Book value (after impairment test)	Current Ke	Limit Ke rate (Value in use= book value)
Bologna branch CGU	1,772,342	1,772,342	16.42%	15.07%
Turin branch CGU	90,842	90,842		5.97%
Rome branch CGU	5,546,446	5,546,446		62.23%
<b>Total</b>	<b>7,409,630</b>	<b>7,409,630</b>		

## FINAL SUMMARY

Values of goodwill at 31/12/2019 before the Impairment Test:

CGU	Book value before the Impairment test at 31/12/2019
Goodwill allocated to the Bologna branch	2,001,492.00
Goodwill allocated to the Turin branch	1,455,085.00
Goodwill allocated to the Rome branch	1,368,000.00
<b>Total Goodwill</b>	<b>4,824,577.00</b>

Impairment at 31/12/2019:

CGU	Impairment for year 2019
Impairment Goodwill allocated to the Bologna branch	-229.150,00
Impairment Goodwill allocated to the Turin branch	-1.364.243,00
Impairment Goodwill allocated to the Rome branch	0,00
<b>Total Impairment - Goodwill</b>	<b>-1,593,393.00</b>

Values of Goodwill at 31/12/2019 after the Impairment Test:

CGU	Book value after the Impairment test
Goodwill allocated to the Bologna branch	1,772,342.00
Goodwill allocated to the Turin branch	90,842.00
Goodwill allocated to the Rome branch	1,368,000.00
<b>Total Goodwill</b>	<b>3,231,184.00</b>

Considering that the the Turin branch CGU has a residual goodwill of 90,842.00 euro, lower than 10% of the book value previously allocated (145,508.50 euro), it has been considered appropriate to integrate the impairment of the branch. By so doing, a new impairment has been calculated, based on the table below.

Branch	Impairment	Actual Impairment
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Branch 330 - Bologna	-229,150.00	-229,150.00
Branch 331 - Turin	-1,364,243.00	-1,455,085.00
Branch 332 – Rome	0.00	0.00
<b>Totals</b>	<b>-1,593,393.00</b>	<b>-1,684,235.00</b>

Values of Goodwill at 31/12/2019 after the Impairment Test with zeroing of Goodwill for the Turin branch:

CGU	Book value after the Impairment test
Goodwill allocated to the Bologna branch	1,772,342.00
Goodwill allocated to the Turin branch	0.00
Goodwill allocated to the Rome branch	1,368,000.00
<b>Total goodwill</b>	<b>3,140,342.00</b>

## APPENDIX 1

BRANCH 330 - BOLOGNA – SYNTHESIS OF 2019 DATA AND FORECAST DATA FROM 2020 TO 2024 – CALCULATION OF THE VALUE IN USE AND IMPAIRMENT.

Description	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023	31/12/2024
Average forecasted economic lending	71,964,290	73,403,576	74,871,647	76,369,080	77,896,462	79,454,391
Forecasted earned interest	1,880,577	1,844,785	1,844,245	1,881,130	1,918,752	1,957,128
Forecasted average performance rate %	2.613	2.513	2.463	2.463	2.463	2.463
Cost assigned by head office against average forecasted lending	-1,099,442	-1,064,352	-1,085,639	-1,107,352	-1,129,499	-1,152,089
Average rate assigned by head office against average forecasted lending %	-1.528	-1.450	-1.450	-1.450	-1.450	-1.450
Forecasted average overall economic deposits	77,671,499	79,224,929	80,809,428	82,425,616	84,074,128	85,755,611
Forecasted interest expenses	-600,222	-533,002	-462,852	-389,684	-397,478	-405,427
Forecasted average borrowing rate %	-0.773	-0.673	-0.573	-0.473	-0.473	-0.473
Gains assigned by head office against average forecasted overall deposits	1,187,791	1,148,761	1,171,737	1,195,171	1,219,075	1,243,456
Average rate assigned by head office against average forecasted overall deposits %	1.529	1.450	1.450	1.450	1.450	1.450
Total interest difference	1,368,705	1,396,193	1,467,490	1,579,266	1,610,851	1,643,068
Base for average calculation	77,671,499	79,224,929	80,809,428	82,425,616	84,074,128	85,755,611
<b>Total average spread</b>	<b>1.762</b>	<b>1.762</b>	<b>1.816</b>	<b>1.916</b>	<b>1.916</b>	<b>1.916</b>
<b>030 - Interest income</b>	<b>1,368,705</b>	<b>1,396,193</b>	<b>1,467,490</b>	<b>1,579,266</b>	<b>1,610,851</b>	<b>1,643,068</b>
040 - Commission income	830,800	847,416	864,364	881,652	899,285	917,270
050 - Commission expenses	-72,630	-74,083	-75,564	-77,076	-78,617	-80,189
<b>120 - Operating income</b>	<b>2,126,875</b>	<b>2,169,526</b>	<b>2,256,290</b>	<b>2,383,842</b>	<b>2,431,519</b>	<b>2,480,149</b>
130 - Net adjustments/write-backs of value due to impairment of:						
a) financial assets measured at amortized cost	-359,821	-734,036	-748,716	-763,691	-584,223	-595,908
<b>150 - Net income from financial assets</b>	<b>1,767,053</b>	<b>1,435,490</b>	<b>1,507,574</b>	<b>1,620,151</b>	<b>1,847,295</b>	<b>1,884,241</b>
210 - Operating costs	-1,417,619	-1,431,795	-1,446,113	-1,460,574	-1,475,180	-1,489,932
<b>260 - Gains (losses) from current operations before tax</b>	<b>349,434</b>	<b>3,695</b>	<b>61,461</b>	<b>159,577</b>	<b>372,115</b>	<b>394,309</b>
<b>Discount rate applied KE</b>		<b>16.42000</b>				
<b>Discount growth rate</b>		<b>1.50000</b>				
<b>Discounted profit/loss flows</b>		<b>3,174</b>	<b>45,347</b>	<b>101,132</b>	<b>202,566</b>	<b>184,374</b>
Sum of discounted flows		536,592				
Base of calculation for the term value beyond 31/12/2024		184,374				
Discounted value beyond 31/12/2024		1,235,749				
<b>Value in use of the Bologna branch</b>		<b>1,772,342</b>				
<b>Goodwill allocated to the Bologna branch</b>		<b>2,001,492</b>				
<b>Difference between value in use and goodwill of the Bologna branch</b>		<b>-229,150</b>				
<b>Value in use lower than goodwill - Impairment measured on the Bologna branch</b>		<b>-229,150</b>				

BRANCH 331 - TURIN- SYNTHESIS OF 2019 DATA AND FORECAST DATA FROM 2020 TO 2024 – CALCULATION OF THE VALUE IN USE AND IMPAIRMENT.



Description	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023	31/12/2024
Average forecasted economic lending	-	-	-	-	-	-
Forecasted earned interest	65,102,497	66,404,547	67,732,638	69,087,291	70,469,036	71,878,417
Forecasted average performance rate %	1,240,610	1,199,018	1,189,132	1,212,915	1,237,173	1,261,917
Forecasted average performance rate %	1.906	1.806	1.756	1.756	1.756	1.756
Cost assigned by head office against average forecasted lending	-994,610	-962,866	-982,123	-1,001,766	-1,021,801	-1,042,237
Average rate assigned by head office against average forecasted lending %	-1.528	-1.450	-1.450	-1.450	-1.450	-1.450
Forecasted average overall economic deposits	80,105,549	81,707,660	83,341,813	85,008,649	86,708,822	88,442,999
Forecasted interest expenses	-622,731	-553,478	-481,206	-405,821	-413,937	-422,216
Forecasted average borrowing rate %	-0.777	-0.677	-0.577	-0.477	-0.477	-0.477
Gains assigned by head office against average forecasted overall deposits	1,225,014	1,184,761	1,208,456	1,232,625	1,257,278	1,282,423
Average rate assigned by head office against average forecasted overall deposits %	1.529	1.450	1.450	1.450	1.450	1.450
Total interest difference	848,284	867,435	934,260	1,037,953	1,058,713	1,079,887
Base for average calculation	-	-	-	-	-	-
	80,105,549	81,707,660	83,341,813	85,008,649	86,708,822	88,442,999
<b>Total average spread</b>	<b>1.059</b>	<b>1.062</b>	<b>1.121</b>	<b>1.221</b>	<b>1.221</b>	<b>1.221</b>
<b>030 - Interest income</b>	<b>848,284</b>	<b>867,435</b>	<b>934,260</b>	<b>1,037,953</b>	<b>1,058,713</b>	<b>1,079,887</b>
040 - Commission income	781,200	796,824	812,760	829,016	845,596	862,508
050 - Commission expenses	-68,040	-69,401	-70,789	-72,205	-73,649	-75,122
<b>120 - Operating income</b>	<b>1,561,444</b>	<b>1,594,859</b>	<b>1,676,231</b>	<b>1,794,765</b>	<b>1,830,660</b>	<b>1,867,273</b>
130 - Net adjustments/write-backs of value due to impairment of:						
a) financial assets measured at amortized cost	-325,512	-664,045	-677,326	-518,155	-528,518	-539,088
<b>150 - Net income from financial assets</b>	<b>1,235,931</b>	<b>930,813</b>	<b>998,905</b>	<b>1,276,610</b>	<b>1,302,142</b>	<b>1,328,185</b>
210 - Operating costs	-1,169,397	-1,181,090	-1,192,901	-1,204,830	-1,216,879	-1,229,047
<b>260 - Gains (losses) from current operations before tax</b>	<b>66,535</b>	<b>-250,277</b>	<b>-193,996</b>	<b>71,780</b>	<b>85,263</b>	<b>99,137</b>
<b>Discount rate applied KE</b>		<b>16.4200000</b>				
<b>Discount growth rate</b>		<b>1.5000000</b>				
<b>Discounted profit/loss flows</b>		<b>-214,978</b>	<b>-143,133</b>	<b>45,490</b>	<b>46,414</b>	<b>46,355</b>
Sum of discounted flows		-219,851				
Base of calculation for the term value beyond 31/12/2024		46,355				
Discounted value beyond 31/12/2024		310,693				
<b>Value in use of the Turin branch</b>		<b>90,842</b>				
<b>Goodwill allocated to the Turin branch</b>		<b>1,455,085</b>				
<b>Difference between value in use and goodwill of the Turin branch</b>		<b>-1,364,243</b>				
<b>Value in use lower than goodwill - Impairment measured on the Turin branch</b>		<b>-1,364,243</b>				

**BRANCH 332 - ROME - SYNTHESIS OF 2019 DATA AND FORECAST DATA FROM 2020 TO 2024 – CALCULATION OF THE VALUE IN USE AND IMPAIRMENT.**

Description	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023	31/12/2024
Average forecasted economic lending	-	-	-	-	-	-
Forecasted earned interest	66,343,755	67,670,630	69,024,043	70,404,524	71,812,614	73,248,866
Forecasted average performance rate %	2,420,798	2,401,543	2,380,550	2,357,756	2,333,099	2,306,512
Forecasted average performance rate %	3.649	3.549	3.449	3.349	3.249	3.149
Cost assigned by head office against average forecasted lending	-1,013,573	-981,224	-1,000,849	-1,020,866	-1,041,283	-1,062,109
Average rate assigned by head office against average forecasted lending %	-1.528	-1.450	-1.450	-1.450	-1.450	-1.450
Forecasted average overall economic deposits	63,849,123	65,126,105	66,428,628	67,757,200	69,112,344	70,494,591
Forecasted interest expenses	-367,640	-342,430	-316,064	-322,386	-328,833	-335,410
Forecasted average borrowing rate %	-0.576	-0.526	-0.476	-0.476	-0.476	-0.476
Gains assigned by head office against average forecasted overall deposits	976,413	944,329	963,215	982,479	1,002,129	1,022,172
Average rate assigned by head office against average forecasted overall deposits %	1.529	1.450	1.450	1.450	1.450	1.450
Total interest difference	2,015,997	2,022,217	2,026,852	1,996,984	1,965,111	1,931,165
Base for average calculation	-	-	-	-	-	-
	66,343,755	67,670,630	69,024,043	70,404,524	71,812,614	73,248,866
<b>Total average spread</b>	<b>3.039</b>	<b>2.988</b>	<b>2.936</b>	<b>2.836</b>	<b>2.736</b>	<b>2.636</b>
<b>030 - Interest income</b>	<b>2,015,997</b>	<b>2,022,217</b>	<b>2,026,852</b>	<b>1,996,984</b>	<b>1,965,111</b>	<b>1,931,165</b>
040 - Commission income	669,585	682,977	696,636	710,569	724,780	739,276



Description	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023	31/12/2024
050 - Commission expenses	-58,049	-59,210	-60,394	-61,602	-62,834	-64,091
<b>120 - Operating income</b>	<b>2,627,533</b>	<b>2,645,984</b>	<b>2,663,094</b>	<b>2,645,951</b>	<b>2,627,058</b>	<b>2,606,350</b>
130 - Net adjustments/write-backs of value due to impairment of:						
a) financial assets measured at amortized cost	-331,719	-676,706	-690,240	-704,045	-538,595	-549,366
<b>150 - Net income from financial assets</b>	<b>2,295,814</b>	<b>1,969,278</b>	<b>1,972,853</b>	<b>1,941,906</b>	<b>2,088,463</b>	<b>2,056,983</b>
210 - Operating costs	-1,113,465	-1,124,599	-1,135,845	-1,147,204	-1,158,676	-1,170,263
<b>260 - Gains (losses) from current operations before tax</b>	<b>1,182,349</b>	<b>844,678</b>	<b>837,008</b>	<b>794,702</b>	<b>929,787</b>	<b>886,721</b>
Discount rate applied KE		16.42000				
Discount growth rate		1.50000				
<b>Discounted profit/loss flows</b>		<b>725,544</b>	<b>617,553</b>	<b>503,642</b>	<b>506,143</b>	<b>414,619</b>
Sum of discounted flows		2,767,500				
Base of calculation for the term value beyond 31/12/2024		414,619				
Discounted value beyond 31/12/2024		2,778,946				
<b>Value in use of the Rome branch</b>		<b>5,546,446</b>				
<b>Goodwill allocated to the Rome branch</b>		<b>1,368,000</b>				
<b>Difference between value in use and goodwill of the Rome branch</b>		<b>4,178,445</b>				
<b>Value in use lower than goodwill - Impairment measured on the Rome branch</b>		<b>0</b>				

### 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 (5)	Earned interest booked in the fiscal year (before tax) (6)
Securities	HTCS	HTC	31/12/2019	27,941	138

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

Type of financial instrument (1)	Origin portfolio (2)	Destination portfolio (3)	Fair value at 31/12/2019 (4)	Gains/losses in absence of transfer to profit and loss account (before tax)		Gains/losses in absence of transfer to shareholders' equity (before tax)	
				31/12/2019 (5)	31/12/2018 (6)	31/12/2019 (7)	31/12/2018 (8)
Securities	HTCS	HTC	27,629	0	0	-311	0

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

With BoD resolution of 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 ITALIA 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 deterioration of the macro-economic context as compared to the 2018 fiscal year, in addition to the anti-European political tensions observed, as well as the different regulatory approach, which no longer allow ensuring consistency with the risk associated to the HTCS portfolio. 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. The loss on measurement was transferred to adjust the fair value of the correlated reclassified financial instruments and, consequently, the respective fiscal effect was adjusted. Therefore, the instruments in question, previously measured at fair value with effects on overall profitability, were measured as if they had always been measured at amortized cost.

The effective rate of the securities allocated to the HTC portfolio is 0.48%.



## 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. Equity and 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 2019, 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 recognized 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 discretionary. 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	31/12/2019			31/12/2018		
	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	46,507	0	99,299	96,685	0	81,279
a) financial assets held for trading	45,666	0	32,769	95,532	0	25,887
b) financial assets measured at fair value	0	0	0	0	0	0
c) other financial assets obligatorily measured at fair value	841	0	66,530	1,153	0	55,391
2. Financial assets measured at fair value with impact on total profits	345,205	0	10,013	378,997	0	10,397
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
<b>Total</b>	<b>391,711</b>	<b>0</b>	<b>109,312</b>	<b>475,682</b>	<b>0</b>	<b>91,675</b>
1. Financial liabilities held for trading	0	0	313	0	0	46
2. Financial liabilities measured at fair value	0	0	0	0	0	0
3. Hedges	0	0	614	0	0	735
<b>Total</b>	<b>0</b>	<b>0</b>	<b>926</b>	<b>0</b>	<b>0</b>	<b>781</b>

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				
<b>1. Initial value</b>	<b>91,675</b>	<b>25,887</b>	<b>0</b>	<b>55,391</b>	<b>10,397</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2. Additions</b>								
2.1. Purchases	25,335	10,123	0	15,211	0	0	0	0
2.2. Revenues allocated to:	0	0	0	0	0	0	0	0
2.2.1. Profit and loss account	604	110	0	494	0	0	0	0
- of which gains	548	54	0	494	0	0	0	0
2.2.2. Shareholders' equity	51	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	1,638	0	0	1,638	0	0	0	0
<b>3. Reductions</b>								
3.1. Sales	2,971	2,971	0	0	0	0	0	0
3.2. Redemptions	5,812	0	0	5,672	140	0	0	0
3.3. Losses allocated to:	0	0	0	0	0	0	0	0
3.3.1. Profit and loss account	914	381	0	533	0	0	0	0
- of which losses	625	92	0	533	0	0	0	0
3.3.2. Shareholders' equity	295	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	0	0	0	0	0	0	0	0
<b>4. Final values</b>	<b>109,312</b>	<b>32,769</b>	<b>0</b>	<b>66,530</b>	<b>10,013</b>	<b>0</b>	<b>0</b>	<b>0</b>

**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
<b>1. Initial value</b>	<b>46</b>	<b>0</b>	<b>735</b>
<b>2. Additions</b>	<b>0</b>	<b>0</b>	<b>0</b>
2.1. Issues	64	0	0
2.2. Losses allocated to:	0	0	0
2.2.1. Profit and loss account	248	0	0
- 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	0
<b>3. Reductions</b>	<b>0</b>	<b>0</b>	<b>0</b>
3.1. Redemptions	46	0	0
3.2. Repurchases	0	0	0
3.3. Revenues allocated to:	0	0	0
3.3.1. Profit and loss account	0	0	91
- of which gains	0	0	91
3.3.2. Shareholders' equity	X	0	0
3.4. Transfers to other levels	0	0	0
3.5. Other reductions	0	0	30
<b>4. Final values</b>	<b>313</b>	<b>0</b>	<b>614</b>



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

Assets/liabilities not measured at fair value or measured at fair value on a non recurring basis	31/12/2019				31/12/2018			
	BV	L1	L2	L3	VB	L1	L2	L3
1. Financial assets measured at amortized cost	3,090.758	378,065	0	2,712,692	2,965,842	229,844	0	2,735,997
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
<b>Total</b>	<b>3,090.758</b>	<b>378,065</b>	<b>0</b>	<b>2,712,692</b>	<b>2,965,842</b>	<b>229,844</b>	<b>0</b>	<b>2,735,997</b>
1. Financial liabilities valued at amortized cost	3,503.727	0	0	3,503,727	3,449,603	0	0	3,449,603
2. Liabilities associated to assets in the course of divestment	0	0	0	0	0	0	0	0
<b>Total</b>	<b>3,503,727</b>	<b>0</b>	<b>0</b>	<b>3,503,727</b>	<b>3,449,603</b>	<b>0</b>	<b>0</b>	<b>3,449,603</b>

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.



**EXPLANATORY NOTES**

**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	31/12/2019	31/12/2018	Var.	% var.
a) Cash	14,038	13,581	457	3.37%
b) Demand deposits with central banks	0	0	0	
<b>Total</b>	<b>14,038</b>	<b>13,581</b>	<b>457</b>	<b>3.37%</b>

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	31/12/2019			31/12/2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>A. Cash assets</b>						
1 Debt Securities	20,006	0	2,470	74,657	0	3,654
1.1 Structured securities	0	0	0	7,372	0	0
1.2 Other debt securities	20,006	0	2,470	67,285	0	3,654
2 Capital securities	0	0	0	929	0	0
3 Shares in mutual funds	25,660	0	30,221	19,946	0	22,075
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
<b>Total A</b>	<b>45,666</b>	<b>0</b>	<b>32,692</b>	<b>95,532</b>	<b>0</b>	<b>25,729</b>
<b>B. Derivative instruments</b>						
1 Financial derivatives:	0	0	77	0	0	158
1.1 from trading	0	0	77	0	0	158
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
<b>Total B</b>	<b>0</b>	<b>0</b>	<b>77</b>	<b>0</b>	<b>0</b>	<b>158</b>
<b>Total (A+B)</b>	<b>45,666</b>	<b>0</b>	<b>32,769</b>	<b>95,532</b>	<b>0</b>	<b>25,887</b>

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

Line items/Values	31/12/2019	31/12/2018	Var.	% var.
<b>A. CASH ASSETS</b>				
<b>1. Securities</b>	22,477	78,311	-55,835	0.00%
a) Central banks	0	0	0	0.00%
b) Public administrations	20,006	39,947	-19,941	0.00%
c) Banks	0	34,710	-34,710	0.00%
d) Other financial companies	2,470	3,654	0	0.00%
of which: insurance companies	0	0	-929	0.00%
e) Non finance companies	0	0	0	0.00%
<b>2. Capital securities</b>	0	929	0	0.00%
a) Banks	0	0	0	0.00%
b) Other financial companies	0	0	-929	0.00%
of which: insurance companies	0	0	0	0.00%
c) Non finance companies	0	929	13,860	0.00%
d) Other issuers	0	0	0	0.00%
<b>3 Shares in mutual funds</b>	55,881	42,021		



Line items/Values	31/12/2019	31/12/2018	Var.	% var.
<b>4. Loans</b>	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	-42,904	0.00%
of which: insurance companies	0	0	0	0.00%
e) Non finance companies	0	0	0	0.00%
f) Families	0	0	-81	0.00%
<b>Total (A)</b>	78,358	121,261	-81	0.00%
<b>B DERIVATIVE INSTRUMENTS</b>				
a) Central counterparties	0	0	0	0.00%
b) Other	77	158	0	0.00%
<b>Total (B)</b>	77	158	0	0.00%
<b>Total (A+B)</b>	78,435	121,420	0	0.00%

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

Line items/Values	31/12/2019			31/12/2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>A. Cash assets</b>						
1 Debt Securities	841	0	12,181	1,153	0	11,761
1.1 Structured Securities	0	0	0	0	0	0
1.2 Other debt Securities	841	0	12,181	1,153	0	11,761
2 Capital Securities	0	0	0	0	0	0
3 Shares in mutual funds	0	0	1,732	0	0	1,716
4 Loans	0	0	52,617	0	0	41,915
4.1 Repurchase agreements	0	0	0	0	0	0
4.2 Other	0	0	52,617	0	0	41,915
<b>Total</b>	841	0	66,530	1,153	0	55,391

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

Line items/Values	31/12/2019	31/12/2018
<b>1 Equity instruments</b>	<b>0</b>	<b>0</b>
of which: Banks	0	0
of which: Other financial companies	0	0
of which: Other non finance companies	0	0
<b>2. Debt Securities</b>	<b>13,021</b>	<b>12,913</b>
a) Central banks	0	0
b) Public administrations	0	0
c) Banks	1,511	1,242
d) Other financial companies	11,510	11,672
of which: insurance companies	0	512
e) Non finance companies	0	0
<b>3 Shares in mutual funds</b>	<b>1,732</b>	<b>1,716</b>
<b>2 Loans</b>	<b>52,617</b>	<b>41,915</b>
a) Central banks	0	0
b) Public administrations	0	0
c) Banks	349	768
d) Other financial companies	7,957	11,107
of which: insurance companies	7,957	11,107
e) Non finance companies	43,876	29,751
f) Families	435	288
<b>Total</b>	<b>67,370</b>	<b>56,544</b>



### 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 at 31/12/2019			Total at 31/12/2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt Securities	345,205	0	0	378,997	0	0
1.1 Structured securities	8,144	0	0	21,916	0	0
1.2 Other debt securities	337,061	0	0	357,081	0	0
2. Equity instruments	0	0	10,013	0	0	10,397
3. Loans	0	0	0	0	0	0
<b>Total</b>	<b>345,205</b>	<b>0</b>	<b>10,013</b>	<b>378,997</b>	<b>0</b>	<b>10,397</b>

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

Line items/Values	Total at 31/12/2019	Total at 31/12/2018	Var.	% var.
<b>1. Debt Securities</b>	<b>345,205</b>	<b>378,997</b>	<b>-33,793</b>	<b>-8.92%</b>
a) Central banks	0	0	0	#DIV/0!
b) Public administrations	337,061	340,230	-3,169	0.00%
c) Banks	8,144	38,767	-30,623	-78.99%
d) Other financial companies	0	0	0	0.00%
of which: insurance companies	0	0	0	0.00%
e) Non finance companies	0	0	0	0.00%
			0	0.00%
<b>2. Equity instruments</b>	<b>10,013</b>	<b>10,397</b>	<b>-383</b>	<b>-3.69%</b>
a) Banks	8,951	8,922	29	0.32%
b) Other issuers:	1,063	1,475	-412	-27.94%
- other financial companies	453	844	0	0.00%
of which: insurance companies	0	0	0	0.00%
- non finance companies	610	631	-21	-3.34%
- other	0	0	0	#DIV/0!
<b>3. Loans</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00%</b>
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: insurance companies	0	0	0	0.00%
e) Non finance companies	0	0	0	0.00%
f) Families	0	0	0	0.00%
<b>Total</b>	<b>355,218</b>	<b>389,394</b>	<b>-34,176</b>	<b>-8.78%</b>

#### 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	337,239	337,239	8,186	0	179	42	0	0
Loans	0	0	0	0	0	0	0	0
<b>Total at 31/12/2019</b>	<b>337,239</b>	<b>337,239</b>	<b>8,186</b>	<b>0</b>	<b>179</b>	<b>42</b>	<b>0</b>	<b>0</b>
<b>Total at 31/12/2018</b>	<b>347,468</b>	<b>347,468</b>	<b>32,285</b>	<b>0</b>	<b>370</b>	<b>387</b>	<b>0</b>	<b>0</b>
<b>of which: impaired financial assets purchased or originated</b>	<b>X</b>	<b>X</b>	<b>0</b>	<b>0</b>	<b>X</b>	<b>0</b>	<b>0</b>	<b>0</b>



**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 at 31/12/2019						Total at 31/12/2018					
	Book value			Fair value			Book value			Fair value		
	First and second stages	Third stage	of which: purchased or originated	Level 1	Level 2	Level 3	First and second stages	Third stage	of which: purchased or originated	Level 1	Level 2	Level 3
<b>A. Receivables from central banks</b>												
1. Time deposits	0	0	0	0	0	0	0			0	0	0
2. Regulatory reserve	57,525	0	0	0	0	57,525	95,003			0	0	95,003
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>B. Receivables from banks</b>	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	41,871	0	0	0	0	41,871	86,208			0	0	86,208
1.2. Time deposits	55,986	0	0	0	0	55,986	66,854			0	0	66,854
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	8,436	0	0	8,436	0	0	1,717			1,717	0	0
2.1 Structured securities	0	0	0	0	0	0	0			0	0	0
2.2 Other debt securities	8,436	0	0	8,436	0	0	1,717			1,717	0	0
<b>Total</b>	<b>163,819</b>	<b>0</b>	<b>0</b>	<b>8,436</b>	<b>0</b>	<b>155,383</b>	<b>249,782</b>	<b>0</b>	<b>0</b>	<b>1,717</b>	<b>0</b>	<b>248,065</b>

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

Types of transactions/values	Total at 31/12/2019							Total at 31/12/2018						
	Book value				Fair value			Book value				Fair value		
	First and second stages	Third stage	of which: purchased or originated impaired	Total	Level 1	Level 2	Level 3	First and second stages	Third stage	of which: purchased or originated impaired	Total	Level 1	Level 2	Level 3
<b>1. Loans</b>														
1.1. Current accounts	529,376	35,285	101	564,661	X	X	X	527,099	27,037	0	554,136	X	X	X
1.2. Repurchase agreements – receivables	0	0	0	0	X	X	X	0	0	0	0	X	X	X
1.3. Mortgages	1,213,196	114,698	683	1,327,894	X	X	X	1,156,326	139,552	616	1,295,877	X	X	X
1.4. Credit cards, personal loans and salary-backed loans	15,130	1,102	44	16,232	X	X	X	19,540	738	38	20,278	X	X	X
1.5. Financial leases	337	0	0	337	X	X	X	1,094	0	0	1,094	X	X	X
1.6. Factoring	0	0	0	0	X	X	X	0	0	0	0	X	X	X
1.7. Other loans	623,244	25,627	14	648,871	X	X	X	593,320	23,611	5	616,931	X	X	X
<b>2. Debt Securities</b>	<b>368,943</b>	<b>0</b>	<b>0</b>	<b>368,943</b>	<b>369,282</b>	<b>0</b>	<b>0</b>	<b>227,742</b>	<b>0</b>	<b>0</b>	<b>227,742</b>	<b>227,996</b>	<b>0</b>	<b>0</b>
2.1 Structured securities	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2.2 Other debt securities	368,943	0	0	368,943	369,282	0	0	227,742	0	0	227,742	227,996	0	0
<b>Total (book value)</b>	<b>2,750,226</b>	<b>176,712</b>	<b>842</b>	<b>2,926,938</b>	<b>369,282</b>	<b>0</b>	<b>0</b>	<b>2,525,121</b>	<b>190,938</b>	<b>658</b>	<b>2,716,060</b>	<b>455,991</b>	<b>0</b>	<b>0</b>




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

Types of transactions/values	Total at 31/12/2019			Total at 31/12/2018		
	First and second stages	Third stage	of which: purchased or originated impaired	First and second stages	Third stage	of which: purchased or originated impaired
<b>1. Debt Securities</b>						
a) Public administrations	368,943	0	0	227,742	0	0
b) Other financial companies	0	0	0	0	0	0
of which: insurance companies	0	0	0	0	0	0
c) Non finance companies	0	0	0	0	0	0
<b>2. Loans to:</b>	0	0	0	0	0	0
a) Public administrations	1,966	0	0	1,595	0	0
b) Other financial companies	199,448	1,923	0	150,570	1,869	0
of which: insurance companies	1	0	0	0	0	0
c) Non finance companies	1,156,738	95,556	144	1,144,565	108,452	156
d) Families	1,023,130	79,234	698	1,000,649	80,617	502
<b>Total</b>	<b>2,750,226</b>	<b>176,712</b>	<b>842</b>	<b>2,525,121</b>	<b>190,938</b>	<b>658</b>

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

	Gross value				Overall value adjustments			Overall partial write-offs
	First stage	of which: Instruments with a low credit risk	Second stage	Third stage	First stage	Second stage	Third stage	
Debt Securities	369,282	369,282	8,783	0	339	347	0	0
Loans	2,295,400	2,295,400	252,269	304,692	5,006	5,997	127,980	571
<b>Total at 31/12/2019</b>	<b>2,664,682</b>	<b>2,664,682</b>	<b>261,052</b>	<b>304,692</b>	<b>5,345</b>	<b>6,344</b>	<b>127,980</b>	<b>571</b>
<b>Total at 31/12/2018</b>	<b>2,631,407</b>	<b>2,631,407</b>	<b>152,321</b>	<b>363,350</b>	<b>6,063</b>	<b>2,761</b>	<b>172,411</b>	<b>174</b>
of which: Impaired financial assets purchased or originated	X	X	464	518	X	14	127	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**

Denomination	Registered offices	Operating offices	% of Shareholdings	% of available votes
<b>A. Wholly owned subsidiaries</b>				
1. Cabel Leasing s.p.a. (1)	Empoli	Empoli	52.00%	52.00%
2. Immobiliare 1884 s.r.l.	Firenze	Empoli	100.00%	100.00%
<b>B. Jointly held companies</b>				
<b>C. Companies subject to significant influence</b>				
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%

(1) – The percent of shareholdings in Cabel Leasing s.p.a. has increased to 70.85% due to the Cabel Holding s.p.a. shareholdings in Cabel Leasing s.p.a., equal to 38.00%.

(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 equity investments: book value, fair value and dividends received

Denomination	Book value	Fair value	Dividend received
<b>A. Wholly owned subsidiaries</b>	<b>20,117</b>	<b>20,117</b>	<b>0</b>
1. Cabel Leasing s.p.a.	10,117	10,117	0
2. Immobiliare 1884 s.r.l.	10,000	10,000	0
<b>B. Jointly held companies</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>C. Companies subject to significant influence</b>	<b>23,693</b>	<b>23,693</b>	<b>0</b>
1. Cabel Holding s.p.a.	21,712	21,712	0
2. Cabel Industry s.p.a.	1,981	1,981	0
<b>Totals</b>	<b>43,810</b>	<b>43,810</b>	<b>0</b>

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.

7.3 Significant equity investments: accounting information

Denominations	Cash and cash equivalents	Financial assets	Non financial assets	Financial liabilities	Non financial liabilities	Total revenue	Interest income
<b>A. Wholly owned subsidiaries</b>	<b>1</b>	<b>165,791</b>	<b>6,392</b>	<b>144,949</b>	<b>7,542</b>	<b>4,360</b>	<b>2,024</b>
1. Cabel Leasing s.p.a.	1	165,791	6,392	144,949	7,542	4,360	2,024
2. Immobiliare 1884 s.r.l.	0	2,834	8,500	1,007	1,413	253	0
<b>B. Jointly held companies</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>C. Companies subject to significant influence</b>		<b>26,423</b>	<b>58,507</b>	<b>0</b>	<b>32,321</b>	<b>38,747</b>	
1. Cabel Holding s.p.a.	x	25,889	17,044	0	1,328	4,871	x
2. Cabel Industry s.p.a.	x	535	41,463	0	30,993	33,876	x
<b>Totals</b>	<b>1</b>	<b>192,214</b>	<b>64,899</b>	<b>144,949</b>	<b>39,863</b>	<b>43,107</b>	<b>2,024</b>

Denomination	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	Fiscal year profit (loss)(1)	Other income components after tax (2)	Overall income (3) = (1) + (2)
<b>A. Wholly owned subsidiaries</b>	<b>87</b>	<b>472</b>	<b>332</b>	<b>0</b>	<b>332</b>	<b>0</b>	<b>332</b>
1. Cabel Leasing s.p.a.	87	472	332	0	332	0	332
2. Immobiliare 1884 s.r.l.	41	91	85	0	85	0	85
<b>B. Jointly held companies</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>C. Companies subject to significant influence</b>		<b>945</b>	<b>693</b>	<b>0</b>	<b>693</b>	<b>0</b>	<b>693</b>
1. Cabel Holding s.p.a.	x	522	392	0	392	0	392
2. Cabel Industry s.p.a.	x	423	301	0	301	0	301
<b>Totals</b>	<b>87</b>	<b>1,417</b>	<b>1,024</b>	<b>0</b>	<b>1,024</b>	<b>0</b>	<b>1,024</b>

The above companies carry out activities that are instrumental to Bank activities and perform services that area auxiliary to Bank activities. The values shown in the above table refer to the year 2018 in that at the date of presentation of the financial statements to the BoD for approval, the definitive balance sheet data for 2019 for the companies in question were not available.



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

Denomination	Shareholders' equity	Shareholding %	Purchase/Sale	Dividends received	Balance sheet value
1. Cabel Leasing s.p.a.	10,000	52.00%	0	0	10,117
2. Immobiliare 1884 s.r.l.	10,000	100.00%	0	0	10,000
<b>Totals</b>	<b>20,000</b>		<b>0</b>	<b>0</b>	<b>20,117</b>

Denomination	Shareholders' equity	Shareholding %	Purchase/Sale	Dividends received	Balance sheet value at PN
3. Cabel Holding s.p.a.	43,775	49.60%	0	0	21,712
4. Cabel Industry s.p.a.	11,005	18.00%	0	0	1,981
<b>Totals</b>	<b>54,780</b>		<b>0</b>	<b>0</b>	<b>23,693</b>

#### 7.5 Equity investments: annual variations

Line items	Total at 31/12/2019	Total at 31/12/2018
<b>A. Initial value</b>	<b>43,561</b>	<b>37,855</b>
<b>B. Additions</b>		
B.1 Purchases	0	5,000
B.2 Write-backs of value	0	0
B.3 Revaluations	248	766
B.4 Other variations	0	0
<b>C. Reductions</b>		
C.1 Sales	0	0
C.2 Value adjustments	0	0
C.3 Write-downs	0	0
C.4 Other variations	0	60
<b>D. Final values</b>	<b>43,810</b>	<b>43,561</b>
<b>E. Total revaluations</b>	<b>12,820</b>	<b>12,571</b>
<b>F. Total adjustments</b>	<b>0</b>	<b>0</b>

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 2019 financial statements refer to the last financial statements approved by the subsidiaries (31/12/2018).

The data for the 2018 financial statements refer to the last financial statements approved by the subsidiaries (31/12/2017).

#### 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 at 31/12/2019	Total at 31/12/2018
1. Own assets	56,879	57,539
a) land	11,127	11,127
b) buildings	31,198	31,769



c) furniture	9,646	9,631
d) electronic equipment	899	797
e) other	4,009	4,215
<b>2. Rights of use purchased by financial leases</b>	<b>16,417</b>	<b>0</b>
a) land	0	0
b) buildings	16,409	0
c) furniture	0	0
d) electronic equipment	0	0
e) other	7	0
<b>Total</b>	<b>73,296</b>	<b>57,539</b>
of which: obtained by enforcing guarantees	0	0

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 at 31/12/2019
<b>A. Initial gross value</b>	<b>11,127</b>	<b>46,388</b>	<b>13,488</b>	<b>3,054</b>	<b>11,214</b>	<b>85,272</b>
A.1 Total net reductions of value	0	14,620	3,857	2,257	6,999	27,732
<b>A.2 Initial net value</b>	<b>11,127</b>	<b>31,769</b>	<b>9,631</b>	<b>797</b>	<b>4,215</b>	<b>57,539</b>
A.3 Modification of opening balances (FTA IFRS16)	0	17,085	0	0	28	17,113
<b>A.4 Net balance</b>	<b>11,127</b>	<b>48,853</b>	<b>9,631</b>	<b>797</b>	<b>4,244</b>	<b>74,652</b>
<b>B. Additions:</b>						
B.1 Purchases	0	1,634	417	444	1,092	3,587
B.2 Expenses for capitalized improvements	0	494	0	0	0	494
B.3 Write-backs of value	0	0	0	0	0	0
B.4 Increases of fair value allocated to:						
a) shareholders' equity	0	0	0	0	0	0
b) income statement	0	0	0	0	0	0
B.5 Increases in exchange rate	0	0	0	0	0	0
B.6 Transfers from real property held for investment	0	0	0	0	0	0
B.7 Other additions	0	128	0	21	116	265
<b>C. Reductions:</b>						
C.1 Sales	0	0	0	21	120	141
C.2 Depreciation	0	3,374	402	342	1,315	5,433
C.3 Value adjustment from impairments allocated to:						
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:						
a) shareholders' equity	0	0	0	0	0	0
b) income statement	0	0	0	0	0	0
C.5 Decreases in exchange rate	0	0	0	0	0	0
C.6 Transfers to:						
a) property, plants and equipment held for investment	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 reductions	0	128	0	0	0	128
<b>D. Final net values</b>	<b>11,127</b>	<b>47,608</b>	<b>9,646</b>	<b>899</b>	<b>4,017</b>	<b>73,296</b>



D.1 Reductions of total net value	0	17,866	4,259	2,578	8,198	32,900
<b>D.2 Final gross values</b>	<b>11,127</b>	<b>65,474</b>	<b>13,905</b>	<b>3,477</b>	<b>12,214</b>	<b>106,197</b>
<b>E. Measurement at cost</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Depreciation was measured *pro rata* as specified below:

- land	0.00%
- Buildings	3.00%
- Artwork	0.00%
- Furniture and various 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 at 31/12/2019
<b>A. Initial gross value</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
A.1 Total net reductions of value	0	0	0	0	0	0
<b>A.2 Initial net value</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
A.3 Modification of opening balances (FTA IFRS16)	0	17,085	0	0	28	17,113
<b>A.4 Net balances</b>	<b>0</b>	<b>17,085</b>	<b>0</b>	<b>0</b>	<b>28</b>	<b>17,113</b>
<b>B. Additions:</b>						
B.1 Purchases	0	1,634	0	0	0	1,634
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:						
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 additions	0	128	0	0	0	128
<b>C. Reductions:</b>						
C.1 Sales	0	0	0	0	0	0
C.2 Depreciation	0	2,310	0	0	21	2,330
C.3 Value adjustments from impairment allocated to:						
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:						
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:						
a) property, plants and equipment held for investment	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 reductions	0	128	0	0	0	128
<b>D. Final net values</b>	<b>0</b>	<b>16,409</b>	<b>0</b>	<b>0</b>	<b>7</b>	<b>16,417</b>
D.1 Reductions of total net value	0	2,181	0	0	21	2,202
<b>D.2 Final gross values</b>	<b>0</b>	<b>18,591</b>	<b>0</b>	<b>0</b>	<b>28</b>	<b>18,619</b>
<b>E. Measurement at cost</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



**Section 9 - Intangible assets - Line item 90**

**9.1 Intangible assets: breakdown by type of asset**

Assets/Values	Total at 31/12/2019		Total at 31/12/2018	
	Limited duration	Unlimited duration	Limited duration	Unlimited duration
A.1 Goodwill	0	3,140	0	4,825
<b>A.2 Other intangible assets</b>				
A.2.1 Assets measured at cost:	1,946	0	580	0
a) Intangible assets generated internally	0	0	0	0
b) Other assets	1,946	0	580	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
<b>Total</b>	<b>1,946</b>	<b>3,140</b>	<b>580</b>	<b>4,825</b>

All the Bank's intangible assets are measured at cost.

The goodwill booked refers to the purchase, during the "way-out" operation, of Banca A.G.C.I. S.p.A. on operating date 01/01/2017.

The calculation of the amounts for goodwill is illustrated in "Part A" of these Explanatory Notes.

The table below illustrates the goodwill variations in 2019 subsequent to impairment.

**Detail of line item A.1 Goodwill**

	Initial value (cost)	Impairment	Book value at 31/12/2019
Bologna branch	2,001	229	1,772
Turin branch	1,455	1,455	0
Rome branch	1,368	0	1,368
<b>TOTAL</b>	<b>4,825</b>	<b>1,684</b>	<b>3,140</b>

**9.2 Intangible assets: Annual variations**

Line items	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total at 31/12/2019
		Limited duration	Unlimited duration	Limited duration	Unlimited duration	
<b>A. Initial gross value</b>	<b>6,975</b>	<b>0</b>	<b>0</b>	<b>4,618</b>	<b>0</b>	<b>11,593</b>
A.1 Total net reduction of value	2,150	0	0	4,038	0	6,188
<b>A.2 Initial net value</b>	<b>4,825</b>	<b>0</b>	<b>0</b>	<b>580</b>	<b>0</b>	<b>5,404</b>
<b>B. Additions</b>						
B.1 Purchases	0	0	0	1,655	0	1,655
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						
- to shareholders' equity	0	0	0	0	0	0
- to the 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
<b>C. Reductions</b>						
C.1 Sales	0	0	0	0	0	0
C.2 Value adjustments						
- Amortization	0	0	0	289	0	289
- Write-downs						
+ shareholders' equity	0	0	0	0	0	0
+ income statement	1,684	0	0	0	0	1,684
C.3 Decreases of fair value						



Line items	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total at 31/12/2019
		Limited duration	Unlimited duration	Limited duration	Unlimited duration	
- to shareholders' equity	0	0	0	0	0	0
- to income statement	0	0	0	0	0	0
C.4 Transfers to non-current 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
<b>D. Final net values</b>	<b>3,140</b>	<b>0</b>	<b>0</b>	<b>1,946</b>	<b>0</b>	<b>5,086</b>
D.1 Total net value adjustments	3,834	0	0	4,328	0	8,162
<b>E. Final gross values</b>	<b>6,975</b>	<b>0</b>	<b>0</b>	<b>6,273</b>	<b>0</b>	<b>13,248</b>
F. Measurements at cost	0	0	0	0	0	0

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

## Section 10 – Tax receivables and tax liabilities - Assets line item 100 Liabilities line item 60

### 10.1 Assets from pre-paid taxes: breakdown

Line items/Values	Total at 31/12/2019	Total at 31/12/2018
1. Multi-year costs	0	0
2. Personnel costs	389	324
3. Receivables	21,811	19,343
4. Entertainment expenses	0	0
5. Financial instruments (Securities HTCS)	503	2,356
6. Tax losses	0	0
7. Goodwill	916	540
8. Other	0	0
<b>Total</b>	<b>23,619</b>	<b>22,563</b>

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.

### Breakdown of assets related to pre-paid taxes point 3. Receivables from the previous table:

Line items/Values	Total at 31/12/2019	Total at 31/12/2018
1. Irap (tax on productive activities) scheduled for 2018 - deferred to 2026	0	294
2. Ires (corporate income tax) scheduled for 2018 - deferred to 2026	0	1,929
3. Irap (tax on productive activities) scheduled for 2019 - deferred to 2027	0	353
4. Ires (corporate income tax) scheduled for 2019 - deferred to 2027	0	2,315
5. Irap (tax on productive activities) scheduled for 2020	353	353
6. Ires (corporate income tax) scheduled for 2020	2,315	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	0
18. Ires (corporate income tax) scheduled for 2026	1,929	0
19. Irap (tax on productive activities) scheduled for 2027	353	0
20. Ires (corporate income tax) scheduled for 2027	2,315	0



21. Irap (tax on productive activities) on adjustments due to FTA IFRS9 for 2028	416	0
22. Ires (corporate income tax) on adjustments due to FTA IFRS9 for 2028	2,052	0
<b>Total</b>	<b>21,811</b>	<b>19,343</b>

**10.2 Liabilities for deferred taxes: breakdown**

Line items/Values	Total at 31/12/2019	Total at 31/12/2018
1. Property, plants, equipment	1,820	1,879
2. Personnel costs	0	0
3. Former credit risk fund	0	0
4. Equity investments	46	46
5. Financial instruments (HTCS securities)	183	0
6. Goodwill	110	163
7. Other	97	108
<b>Total</b>	<b>2,256</b>	<b>2,196</b>

Among liabilities for deferred taxes, please note that in line item "Property, plants, equipment", the tax liability was calculated between the IAS value and the "tax" value of the property, plants and equipment.

The line "Equity investments" indicates the tax liability referable to equity investments calculated at the IRES (corporate income tax) tax 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 at 31/12/2019	Total at 31/12/2018
<b>1. Initial value</b>	<b>19,883</b>	<b>19,343</b>
<b>2. Additions</b>		
2.1 Pre-paid taxes recognized in the fiscal year		
a) related to previous fiscal years	0	0
b) due to change of accounting policies	0	0
c) Write-backs of value	0	0
d) other	2,882	540
2.2 New taxes or increases of tax rates	0	0
2.3 Other additions	0	0
<b>3. Reductions</b>		
3.1 Pre-paid taxes derecognized in the fiscal year		
a) reversals	39	0
b) write-downs for receivables written off as unrecoverable	0	0
c) change of accounting principles	0	0
d) other	0	0
3.2 Reductions of tax rates	0	0
3.3 Other reductions		
a) transformation into tax credits pursuant to Law n. 214/2011	0	0
b) other	0	0
<b>4. Final value</b>	<b>22,727</b>	<b>19,883</b>

The table summarizes all pre-paid taxes which will be absorbed in subsequent fiscal years as offsets to the income statement.

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

Line items	Total at 31/12/2019	Total at 31/12/2018
<b>1. Initial value</b>	<b>19,343</b>	<b>19,343</b>
<b>2. Additions</b>	<b>0</b>	<b>0</b>
<b>3. Reductions</b>	<b>0</b>	<b>0</b>
3.1 reversals	0	0
3.2 transformations 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
<b>4. Final value</b>	<b>19,343</b>	<b>19,343</b>

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 at 31/12/2019	Total at 31/12/2018
<b>1. Initial value</b>	<b>2,150</b>	<b>2,246</b>
<b>2. Additions</b>		
2.1 Deferred tax recognized in the fiscal year		
a) related to previous fiscal years	0	0
b) due to a change of accounting policies	0	0
c) other	43	166
2.2 New taxes or increases of tax rates	0	0
2.3 Other additions	0	0
<b>3. Reductions</b>		
3.1 Deferred tax derecognized in the fiscal year		
a) reversals	166	262
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
<b>4. Final value</b>	<b>2,027</b>	<b>2,150</b>

The table summarizes all deferred taxes that will be absorbed during subsequent fiscal years as offsets in the income statement.

#### 10.5 Variations of pre-paid taxes (as offset to shareholders' equity)

Line items	Total at 31/12/2019	Total at 31/12/2018
<b>1. Initial value</b>	<b>2,680</b>	<b>2,268</b>
<b>2. Additions</b>		
2.1 Pre-paid taxes recognized in the fiscal year		
a) related to previous fiscal years	0	0
b) due to change of accounting policies	0	0
c) other	76	412
2.2 New taxes or increases of tax rates	0	0
2.3 Other additions	0	0
<b>3. Reductions</b>		
3.1 Pre-paid taxes derecognized in the fiscal year		
a) reversals	1,863	0
b) write-downs for receivables written off as unrecoverable	0	0
c) due to change of accounting policies	0	0
d) other	0	0
3.2 Reductions of tax rates	0	0
3.3 Other reductions	0	0
<b>4. Final value</b>	<b>892</b>	<b>2,680</b>

The variations are exclusively 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 of deferred taxes (as offset to shareholders' equity)



Line items	Total at 31/12/2019	Total at 31/12/2018
<b>1. Initial value</b>	<b>46</b>	<b>46</b>
<b>2. Additions</b>		
2.1 Deferred taxes recognized in the fiscal year		
a) related to previous fiscal years	0	0
b) due to change of accounting policies	0	0
c) other	183	0
2.2 New taxes or increases of tax rates	0	0
2.3 Other additions	0	0
<b>3. Reductions</b>		
3.1 Deferred taxes derecognized in the fiscal year		
a) reversals	0	0
b) due to change of accounting policies	0	0
c) other	0	0
3.2 Reductions of tax rates	0	0
3.3 Other reductions	0	0
<b>4. Final value</b>	<b>229</b>	<b>46</b>

**10.7 Other information – Assets due current taxes– Breakdown**

Line items	Total at 31/12/2019	Total at 31/12/2018
1. Advances paid to the tax authority	4,140	6,022
2. Tax receivables – principal	60	328
3. Tax receivables – interest	0	0
4. Other withholdings	134	74
<b>Total</b>	<b>4,334</b>	<b>6,424</b>

Assets due to current taxes in 2019 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 to due current taxes– Breakdown**

Line items	Total at 31/12/2019	Total at 31/12/2018
1. Fund for IRES tax	5,625	0
2. Fund for IRAP tax	1,400	217
3. Fund for stamp duty	136	28
4. Tax fund – substitute tax Law 244/2007	0	0
5. Tax fund – other	152	19
<b>Total</b>	<b>7,313</b>	<b>264</b>

Liabilities for current taxes in 2019 are shown on a "closed" account basis in the balance sheet and on an "open" account basis in the table above.

**Section 12 - Other assets - Line item 120**

**12.1 Other assets: breakdown**

Line items	Total at 31/12/2019	Total at 31/12/2018
01. Other debtors	2,116	7,874
02. Entries in transit	143	88
03. Entries being processes	16,868	44,639
04. Various entries to be settled	217	309
05. Stipulated loans to be disbursed	19,494	22,209
06. Checks, bills returned unpaid and protested	83	81
07. Assets sold and not derecognized	0	0
08. Assets for expenses on third party goods	1,030	1,163
09. Expenses not yet invoiced	78	84



Line items	Total at 31/12/2019	Total at 31/12/2018
10. Costs to be allocated	0	296
11. Advance operations on securities	197	191
12. Various open entries	7,896	4,132
13. Accrued income and prepayments	2,880	2,339
14. Securities to be settled (Sales)	1	0
<b>Total</b>	<b>51,003</b>	<b>83,403</b>

## PAYABLES

### 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

Types of transactions/values	Total at 31/12/2019				Total at 31/12/2018				Var.	% var.
	Book value	Fair value			Book value	Fair value				
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3		
<b>1. Payables to central banks</b>	423,884	0	0	423,884	474,130	0	0	474,130	-50,246	-10.60%
<b>2. Payables to banks</b>										
2.1 Bank accounts and demand deposits	122,677	0	0	122,677	89,653	0	0	89,653	33,024	36.83%
2.2 Time deposits	7,654	0	0	7,654	45,163	0	0	45,163	-37,509	-83.05%
2.3 Loans	4,056	0	0	4,056	109	0	0	109	3,947	
2.3.1 Repurchase agreements – payable	0	0	0	0	0	0	0	0	0	
2.3.2 Other	4,056	0	0	4,056	109	0	0	109	3,947	
2.4 Liabilities for commitments to repurchase own shares	0	0	0	0	0	0	0	0	0	
2.5 Liabilities for leases	0	0	0	0	0	0	0	0	0	
2.6 Other liabilities	0	0	0	0	0	0	0	0	0	
<b>Total</b>	<b>558,272</b>	<b>0</b>	<b>0</b>	<b>558,272</b>	<b>609,055</b>	<b>0</b>	<b>0</b>	<b>609,055</b>	<b>-50,784</b>	<b>-8.34%</b>

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 for € 430,000 thousand. The amount at 31/12/2019 is less the interest expenses calculated at a -0.40% rate from the date of initiation (€ 6,116 thousand).

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

Types of transactions/values	Total at 31/12/2019				Total at 31/12/2018				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 e demand deposits	1,891,181	0	0	1,891,181	1,805,787	0	0	1,805,787	85,395	4.73%
2. Time deposits	528,641	0	0	528,641	498,360	0	0	498,360	30,281	6.08%
3. Loans	336,485	0	0	336,485	344,353	0	0	344,353	-7,868	-2.28%
3.1 Repurchase agreements – liabilities	333,563	0	0	333,563	337,316	0	0	337,316	-3,753	-1.11%
3.2. Other	2,922	0	0	2,922	7,038	0	0	7,038	-4,115	-58.48%
4. Liabilities for commitments to buy back treasury shares	0	0	0	0	0	0	0	0	0	#DIV/0!
5. Liabilities for leases	16,628	0	0	16,628	0	0	0	0	16,628	#DIV/0!
6. Other liabilities	380	0	0	380	518	0	0	518	-138	-26.59%
<b>Total</b>	<b>2,773,316</b>	<b>0</b>	<b>0</b>	<b>2,773,316</b>	<b>2,649,018</b>	<b>0</b>	<b>0</b>	<b>2,649,018</b>	<b>124,297</b>	<b>4.69%</b>

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 at 31/12/2019				Total at 31/12/2018			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<b>A. Securities</b>								
1. Securities	171,722	0	0	171,722	190,779	0	0	190,779
1.1 structured	4,898	0	0	4,898	4,883	0	0	4,883
1.2 other	166,825	0	0	166,825	185,895	0	0	185,895
2. Other Securities	417	0	0	417	750	0	0	750
2.1 structured	0	0	0	0	0	0	0	0
2.2 other	417	0	0	417	750	0	0	750
<b>Total</b>	<b>172,139</b>	<b>0</b>	<b>0</b>	<b>172,139</b>	<b>191,529</b>	<b>0</b>	<b>0</b>	<b>191,529</b>

The table indicates deposits consisting of securities that also include, in addition to bonds, outstanding and matured certificates of deposit to be repaid.

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 aggregate decreased with respect to the previous fiscal year by 19,390 thousand euro (-10.12%). During the fiscal year, 5 new bond loans were issued for a nominal value of 12,000 thousand, increasing the overall amount for subordinate bond loans to 57,000 thousand euro. Net of this operation, the variation of this aggregate with respect to the previous fiscal year would have been € 31,390 thousand euro (-16.39%). The aforementioned loans are described in detail in table 1.4.

**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
- Isin IT0005337719	28/06/2018	28/06/2025	45,000	45,000
- Isin IT0005371270	10/06/2019	10/06/2029	5,000	5,000
- Isin IT0005376287	20/06/2019	20/06/2029	1,000	1,000
- Isin IT0005385668	25/09/2019	25/09/2029	2,000	2,000
- Isin IT0005391518	05/12/2019	05/12/2029	1,000	1,000
- Isin IT0005396426	20/12/2019	20/12/2024	3,000	3,000
<b>Total</b>			<b>57,000</b>	<b>57,000</b>

**1.6 Financial liabilities valued at amortized cost: liabilities for leases**

TIME BRACKETS	31/12/2019	
	Payments due	
	Financial leases	Operating leases
Up to 1 year	0	36
From over 1 year to 2 years	0	131
From over 2 years to 3 years	0	23
From over 3 years to 4 years	0	195
From over 4 years to 5 years	0	355
Over 5 years	0	15,830
<b>All payments due for the lease</b>	<b>0</b>	<b>16,569</b>
<b>RECONCILIATION WITH LIABILITIES:</b>		
Financial profits not accrued (-) (discount effect)	0	59
<b>Liabilities for leases</b>	<b>0</b>	<b>16,628</b>

**Section 2 - Financial liabilities from trading - Line item 20**

**2.1 Financial liabilities from trading: breakdown by sector**

Types of transactions/values	Total at 31/12/2019			Total at 31/12/2018		
		Fair value		Fair value		



	Notional value	Level 1	Level 2	Level 3	Fair Value (*)	Notional value	Level 1	Level 2	Level 3	Fair Value (*)
<b>A. Cash liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
1. Payables to banks	0	0	0	0	0	0	0	0	0	0
2. Payables 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
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
<b>Total A</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>B. Derivative instruments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>313</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>46</b>	<b>0</b>
1. Financial derivatives	0	0	0	313	0	0	0	0	46	0
1.1 From trading	0	0	0	313	0	0	0	0	46	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
<b>Total B</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>313</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>46</b>	<b>0</b>
<b>Total A + B</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>313</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>46</b>	<b>0</b>

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 31/12/2019			Notional value 31/12/2019	Fair value 31/12/2018			Notional value 31/12/2018
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
<b>A. Financial derivatives</b>	<b>0</b>	<b>0</b>	<b>614</b>	<b>25,000</b>	<b>0</b>	<b>0</b>	<b>735</b>	<b>25,000</b>
1) Fair value	0	0	614	25,000	0	0	735	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>B. Credit derivatives</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
1) Fair value	0	0	0	0	0	0	0	0
2) Cash flows	0	0	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>614</b>	<b>25,000</b>	<b>0</b>	<b>0</b>	<b>735</b>	<b>25,000</b>

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 hedge portfolio and by type of hedge

Transactions/Type of hedge	Fair Value						Cash flows			Foreign investments
	Specific						Generic	Specific	Generic	
	Securities and interest rates	Capital securities and equity indices	Currency and gold	Credit	Goods	Other				
1. Financial assets measured at fair value with impact on total profits	580	0	0	0	0		0	0	0	0



Transactions/Type of hedge	Fair Value						Cash flows			Foreign investments
	Specific						Generic	Specific	Generic	
	Securities and interest rates	Capital securities and equity indices	Currency and gold	Credit	Goods	Other				
2. Financial assets measured at amortized cost	0	0	0	0	0		0	0	0	0
3. Portfolio	0	0	0	0	0		0	0	0	0
4. Other transactions	0	0	0	0	0		0	0	0	0
<b>Total assets</b>	<b>580</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
1. Financial liabilities	34	0	0	0	0		0	0	0	0
2. Portfolio	0	0	0	0	0		0	0	0	0
<b>Total liabilities</b>	<b>34</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
1. Expected transactions	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

### Section 8 - Other liabilities - Line item 80

#### 8.1 Other liabilities: breakdown

Line items	Total at 31/12/2019	Total at 31/12/2018
01. Various tax entries	4,882	5,815
02. Entries in transit	832	452
03. Differences receivable on offsets of third party portfolios	40,311	41,950
04. Suppliers	3,052	3,151
05. Entries being processed and other creditors	32,889	64,342
06. Accrued liabilities and deferred income	3,616	3,504
07. Borrower accounts for stipulated loans to be disbursed	19,494	22,209
08. Securities to be settled (purchases)	0	0
<b>Total</b>	<b>105,075</b>	<b>141,423</b>

### Section 9 - Employee severance pay - Line item 90

#### 9.1 Employee severance pay: annual variations

Line items	Total at 31/12/2019	Total at 31/12/2018
<b>A. Initial value</b>	<b>3,771</b>	<b>3,682</b>
<b>B. Additions</b>		
B.1 Allocations during the fiscal year	1,147	1,098
B.2 Other variations	322	144
<b>C. Reductions</b>		
C.1 Payments made	229	46
C.2 Other variations	1,147	1,107
<b>D. Final values</b>	<b>3,864</b>	<b>3,771</b>
<b>Total</b>	<b>3,864</b>	<b>3,771</b>

Line item B.1 "Allocations during the fiscal year" includes severance pay matured during the fiscal year in the amount of 1.147 thousand euro.

Line item B.2 "Other variations" includes "Interest Cost", for 41 thousand euro, "Service Cost" for 45 thousand euro and Actuarial Gains/Losses for 236 thousand euro.

Line item C.1 "Payments made" includes "Benefit Paid" for IAS purposes of employee severance pay for 229 thousand euro.

Line item C.2 "Other variations" includes employee severance pay transferred to the employee Supplementary Pension Fund (and external fun) or INPS Treasury, for 1,147 thousand euro.

### Section 10 - Risk and expense funds - Line item 100

#### 10.1 Risk and expense funds: breakdown

Line items/Values	Total at 31/12/2019	Total at 31/12/2018
1. Funds for credit risk related to commitments and guarantees issued	2,096	2,248
2. Funds for other commitments and other guarantees issued	0	0



Line items/Values	Total at 31/12/2019	Total at 31/12/2018
3. Funds for company pensions	0	0
4. Other risk and expense funds	54	73
4.1 lawsuits	54	73
4.2 personnel costs	0	0
4.3 other	0	0
<b>Total</b>	<b>2,150</b>	<b>2,321</b>

### 10.2 Risk and expense funds: annual variations

Line items	Funds for other commitments and guarantees issued	Pension funds	Other funds	Total at 31/12/2019
<b>A. Initial value</b>	<b>2,248</b>	<b>0</b>	<b>73</b>	<b>2,321</b>
<b>B. Additions</b>				
B.1 Allocations during the fiscal year	262	0	19	281
B.2 Additions due to the passage of time	0	0	0	0
B.3 Variations due to modifications of the discount rate	0	0	0	0
B.4 Other variations	0	0	0	0
<b>C. Reductions</b>				
C.1 Use during the fiscal year	0	0	38	38
C.2 Variations due to modifications of the discount rate	0	0	0	0
C.3 Other variations	413	0	0	413
<b>D. Final values</b>	<b>2,096</b>	<b>0</b>	<b>54</b>	<b>2,150</b>

### 10.3 Funds for credit risk related to commitments and other guarantees issued

	Funds for credit risk related to commitments and other guarantees issued			
	First stage	Second stage	Third stage	Total at 31/12/2019
1. Commitments to disburse funds	0	0	0	0
2. Other guarantees issued	42	8	2,047	2,096
<b>Total</b>	<b>42</b>	<b>8</b>	<b>2,047</b>	<b>2,096</b>

## 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/Type	Ordinary	Other
<b>A. Outstanding shares at the start of the fiscal year</b>	<b>232,800,000</b>	<b>0</b>
- entirely unrestricted	232,800,000	0
- with restrictions	0	0
A.1 Treasury shares (-)	0	0
<b>B.2 Outstanding shares: initial value</b>	<b>232,800,000</b>	<b>0</b>
<b>B. Additions</b>		
B.1 New issues		
- 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



Line items/Type	Ordinary	Other
B.3 Other variations	0	0
<b>C. Reductions</b>		
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
<b>D. Outstanding shares: Final value</b>	<b>232,800,000</b>	<b>0</b>
D.1 Treasury shares (+)	0	0
D.2 Outstanding shares at the end of the fiscal year	232,800,000	0
- entirely unrestricted	232,800,000	0
- with restrictions	0	0

**12.3 Share capital: other information – annual variations**

Line items	Amounts	Number of shares	Number of shareholders
<b>A. Initial value</b>	<b>232,800</b>	<b>232,800,000</b>	<b>306</b>
<b>B. Additions</b>			
B.1 Purchase of shares – new shareholders	0	0	3
B.2 From other additions	0	0	0
<b>C. Reductions</b>			
C.1 Redemptions – extinct shareholders	0	0	23
C.2 From other reductions	0	0	0
<b>D. Final values</b>	<b>232,800</b>	<b>232,800,000</b>	<b>286</b>

**12.4 Retained earnings: other information - breakdown of shareholders' equity**

Line items	Total at 31/12/2019	Total at 31/12/2018
1. Share capital	232,800	232,800
2. Premiums on issue of new shares	803	803
3. Reserves	-66,995	-70,220
3.1 Ordinary/extraordinary reserves	8,000	4,500
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
4. (Treasury shares)	0	0
5. Valuation reserves	1,846	-1,567
5.1 Financial assets from trading	0	0
5.2 Financial assets measured at fair value with impact on total profits	-426	-4,011
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 cash flows	0	0
5.8 Exchange rate differences	0	0
5.9 Non-current assets in course of divestment	0	0
5.10 Actuarial profit (loss) on defined benefit assets	-1,026	-855
5.11 Share of valuation reserves of equity investments measured on basis of shareholders' equity	3,298	3,298
5.12 Special revaluation laws	0	0
6. Equity instruments	0	0
7. Fiscal year profit (loss)	13,200	3,500
<b>Total</b>	<b>181,655</b>	<b>165,316</b>



**12.4 Retained earnings: other information – division and use of fiscal year profit**

Line items	Amount	Accounting classification of capital
- Legal reserve (5.00% of profit)	660	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)	12,540	Increase of Liabilities line item 160 (Cet1)
- Shareholders for dividends	0	
<b>Total</b>	<b>13,200</b>	

**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	-426	B	-426		
- reserve from equity investments	3,298	B	3,298		
Retained earnings:					
- undividable legal/regulatory reserve	11,151	B	11,151		
- reserve from transition to International accounting standards	-78,146	B	-78,146		
<b>Total</b>	<b>168,455</b>		<b>168,455</b>		
Non distributable share			0		
Residual distributable share			168,455		

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 designated to fair value)**

	Nominal value on commitments and financial guarantees issued			Total at 31/12/2019	Total at 31/12/2018
	First stage	Second stage	Third stage		
<b>1) Commitments to disburse funds</b>	<b>793,431</b>	<b>51,820</b>	<b>10,962</b>	<b>856,213</b>	<b>749,771</b>
a) Central banks	0	0	0	0	0
b) Public administrations	785	0	0	785	866
c) Banks	2,500	0	0	2,500	2,500
d) Other financial companies	73,802	0	0	73,802	9,711
e) Non finance companies	641,986	49,523	10,494	702,004	671,060
f) Families	74,358	2,297	468	77,122	65,634
<b>2) Financial guarantees issued</b>	<b>86,118</b>	<b>4,309</b>	<b>1,578</b>	<b>92,005</b>	<b>88,931</b>
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	1,865	0	0	1,865	1,850
e) Non finance companies	72,543	3,867	1,194	77,604	73,894
f) Families	11,587	442	384	12,413	13,064
<b>Total</b>	<b>879,549</b>	<b>56,129</b>	<b>12,540</b>	<b>948,218</b>	<b>838,702</b>

**2. Other commitments and other guarantees issued**



Portfolios	Nominal value	
	Amount at 31/12/2019	Amount at 31/12/2018
1. Other guarantees issued	9,975	13,547
of which: impaired	0	0
a) Central banks	0	0
b) Public administrations	0	0
c) Banks	7,550	6,946
d) Other financial companies	0	0
e) Non finance companies	2,425	6,601
f) Families	0	0
2. Other commitments	499	49
of which: impaired	0	0
a) Central banks	0	0
b) Public administrations	0	0
c) Banks	499	0
d) Other financial companies	0	0
e) Non finance companies	0	0
f) Families	0	49

**3. Assets pledged as collateral for own liabilities and commitments**

Portfolios	Amount 31/12/2019	Amount 31/12/2018
1. Financial assets measured at fair value with recognition of income effects through profit and loss	0	41,096
2. Financial assets measured at fair value with impact on total profits	176,742	238,460
3. Financial assets measured at amortized cost	384,258	183,296
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
<b>1. Trading financial instruments on behalf of customers</b>	<b>0</b>
a) purchases	0
settled	0
not settled	0
b) sales	0
settled	0
not settled	0
<b>2. Asset management</b>	<b>21,090</b>
<b>3. Custody and management of securities</b>	<b>2,382,509</b>
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	508,213
1. securities issued by the bank that prepares the balance sheet	365,210
2. other securities	143,003
c) third party securities deposited with third parties	496,097
d) treasury securities deposited with third parties	1,378,199
<b>4. Other transactions</b>	<b>0</b>

**5. Financial assets subject to on-balance sheet netting or subject to master netting agreements of 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 31/12/2019 (f = c - d - e)	Net amount at 31/12/2018
				Financial instruments (d)	Cash deposits received as collateral (e)		
1. Derivatives	13	0	13	0	0	13	105
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
<b>Total at 31/12/2019</b>	<b>13</b>	<b>0</b>	<b>13</b>	<b>0</b>	<b>0</b>	<b>13</b>	<b>0</b>
<b>Total at 31/12/2018</b>	<b>105</b>	<b>0</b>	<b>105</b>	<b>0</b>	<b>0</b>		<b>105</b>

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

Counterparty	Derivative used	Deposit	Net amount
Banca IMI s.p.a.	13	180	-167
<b>Total</b>	<b>13</b>	<b>180</b>	<b>-167</b>

**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 netted on-balance sheet		Net amount at 31/12/2019 (f = c - d - e)	Net amount at 31/12/2018
				Financial instruments (d)	Cash deposits received as collateral (e)		
1. Derivatives	614	0	614	0	0	614	735
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
<b>Total at 31/12/2019</b>	<b>614</b>	<b>0</b>	<b>614</b>	<b>0</b>	<b>0</b>	<b>614</b>	
<b>Total at 31/12/2018</b>	<b>735</b>	<b>0</b>	<b>735</b>	<b>0</b>	<b>0</b>		<b>735</b>

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

Counterparty	Derivative used	Deposit	Net amount
Banca MPS s.p.a.	34	210	-176
Iccrea Banca s.p.a.	580	640	-60
<b>Total</b>	<b>614</b>	<b>850</b>	<b>-236</b>



**EXPLANATORY NOTES**

**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 at 31/12/2019	Total at 31/12/2018	Var.	% var.
1. Financial assets measured at fair value with recognition of income effects through profit and loss:	<b>880</b>	<b>0</b>	<b>0</b>	<b>880</b>	<b>813</b>	<b>66</b>	8.17%
1.1 Assets held for trading	880	0	0	880	813	66	8.17%
1.2 Financial assets measured at fair value	0	0	0	0	0	0	#DIV/0!
1.3 Other financial assets obligatorily measured at fair value	0	0	0	0	0	0	#DIV/0!
2. Financial assets measured at fair value with impact on total profits	<b>796</b>	<b>0</b>	<b>X</b>	<b>796</b>	<b>1,133</b>	<b>-337</b>	-29.76%
3. Financial assets measured at amortized cost:	<b>2,475</b>	<b>67,596</b>	<b>X</b>	<b>70,072</b>	<b>69,832</b>	<b>240</b>	
3.1 Receivables from banks	0	754	X	754	685	69	10.04%
3.2 Receivables from customers	2,475	66,842	X	69,317	69,147	171	0.25%
4. Hedges	X	X	0	0	0	0	#DIV/0!
5. Other assets	X	X	0	0	0	0	#DIV/0!
6. Financial liabilities	X	X	X	2,886	5,462	-2,576	-47.16%
<b>Total</b>	<b>4,150</b>	<b>67,596</b>	<b>0</b>	<b>74,633</b>	<b>77,240</b>	<b>-2,607</b>	<b>-3.38%</b>
<b>of which: earned interest on impaired financial assets</b>	<b>0</b>	<b>5,707</b>	<b>0</b>	<b>5,707</b>	<b>6,908</b>	<b>-1,201</b>	<b>-17.39%</b>
<b>of which: earned interest on financial leases</b>	<b>0</b>	<b>430</b>	<b>0</b>	<b>430</b>	<b>431</b>	<b>-0.73</b>	<b>-0.17%</b>

The line item "Earned interest on financial liabilities" includes interest on repurchase agreement transaction liabilities for 946 thousand euro and interest on the TLTROII transaction accrued in 2019, for 1,936 thousand euro.

The line item "earned interest on impaired financial assets" includes both interest on non-performing loans, for 3,065 thousand euro and interest on other impaired loans for 2,642 thousand euro. Interest on non-performing loans includes interest collected for the amount of 251 thousand euro and interest due on passing of time allocated to this line item in compliance with the IFRS9 accounting principle, for the amount of 2,814 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 at 31/12/2019	Total at 31/12/2018
Earned interest on financial assets in foreign currency	646	440

### 1.3 Interest expenses and similar expenses: breakdown

Line items/Technical forms	Liabilities	Securities	Other transactions	Total at 31/12/2019	Total at 31/12/2018	Var.	% var.
1. Financial liabilities valued at amortized cost	-7,975	-5,643	0	-13,617	-13,686	382	-100.00%
1.1 Payables to central banks	0	X	X	0	-382	-875	#DIV/0!
1.2 Payables to banks	-875	X	X	-875	0	77	-1.07%
1.3 Payables to customers	-7,100	X	X	-7,100	-7,177	484	-7.90%
1.4 Outstanding securities	X	-5,643	X	-5,643	-6,127	0	#DIV/0!
2. Financial liabilities from trading	0	0	0	0	0	0	#DIV/0!
3. Financial liabilities measured at fair value	0	0	0	0	0	-321	#DIV/0!
4. Other liabilities and funds	X	X	-321	-321	0	0	-0.07%
5. Hedges	X	X	-269	-269	-269	-285	0.00%
6. Financial assets	X	X	X	0	-281	321	2.00%
<b>Total</b>	<b>-7,975</b>	<b>-5,643</b>	<b>-590</b>	<b>-14,207</b>	<b>-14,236</b>	<b>0</b>	<b>#DIV/0!</b>
<b>of which: interest payable for liabilities for leases</b>	<b>321</b>	<b>0</b>	<b>0</b>	<b>321</b>	<b>0</b>	<b>321</b>	<b>#DIV/0!</b>

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

Line items/Values	Total at 31/12/2019	Total at 31/12/2018
Interest payable on financial liabilities in foreign currency	-875	-403

**1.5 Interest payable and similar expenses: differences related to hedges**

Line items	Total at 31/12/2019	Total at 31/12/2018
A. Positive difference related to hedges:	0	40
B. Negative difference related to hedges:	269	310
<b>C. Balance (A-B)</b>	<b>-269</b>	<b>-269</b>

**Section 2 - Commissions - Line items 40 and 50****2.1 Commission income: breakdown**

Type of services/Values	Total at 31/12/2019	Total at 31/12/2018	Var.	% var.
a) guarantees issued	554	692	-138	-19.97%
b) credit derivatives	0	0	0	
c) management, intermediation and consulting services:	5,645	5,591	54	0.96%
1 trading financial instruments	0	0	0	47.17%
2 trading foreign currencies	797	771	26	3.37%
3 asset management	180	170	9	5.44%
4 custody and management of securities	134	108	26	23.75%
5 depository bank	0	0	0	
6 securities placement	460	555	-95	-17.15%
7 receipt and transmission of orders	179	146	33	22.29%
8 consulting	0	0	0	
8.1 on investments	0	0	0	
8.2 on financial structure	0	0	0	
9 distribution of third party services	3,895	3,840	55	1.44%
9.1 asset management	0	0	0	
9.1.1 individual	0	0	0	
9.1.2 collective	0	0	0	
9.2 insurance products	2,569	2,180	389	17.84%
9.3 other products	1,326	1,660	-334	-20.10%
d) collection and payment services	7,494	7,018	476	6.78%
e) servicing for securitizations	184	169	15	9.15%
f) factoring services	0	0	0	
g) fiscal year tax collection and payee services	0	0	0	
h) asset management of multilateral exchange systems	0	0	0	
i) maintenance and management of bank accounts	15,245	14,967	278	1.86%
j) other services	1,647	1,672	-25	-1.51%
<b>Total</b>	<b>30,768</b>	<b>30,109</b>	<b>659</b>	<b>2.19%</b>

**2.2 Commission income: distribution channels for products and services**

Channels/Values	Total at 31/12/2019	Total at 31/12/2018
<b>a) at its own branches:</b>	<b>4,534</b>	<b>4,565</b>
1. asset management	180	170
2. securities placement	460	555
3. third party services and products	3,895	3,840
<b>b) off-site offer:</b>	<b>0</b>	<b>0</b>
1. asset management	0	0
2. securities placement	0	0



Channels/Values	Total at 31/12/2019	Total at 31/12/2018
3. third party services and products	0	0
<b>c) other distribution channels</b>	<b>0</b>	<b>0</b>
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 at 31/12/2019	Total at 31/12/2018	Var.	% var.
a) guarantees received	-728	-630	-98	
b) credit derivatives	0	0	0	
c) management and intermediation services:	-350	-331	-19	5.80%
1. trading financial instruments	-37	-48	12	
2. trading foreign currency	-225	-199	-26	13.12%
3. asset management	-88	-83	-5	5.54%
3.1 own portfolio	0	0	0	
3.2 delegated by third parties	-88	-83	-5	5.54%
4. custody and management of securities	0	0	0	
5. placement of financial instruments	0	0	0	
6. off-site offer of financial instruments, products and services	0	0	0	
d) collection and payment services	-1,627	-1,540	-87	5.67%
e) other services	0	0	0	
<b>Total</b>	<b>-2,705</b>	<b>-2,501</b>	<b>-204</b>	<b>8.16%</b>

## Section 3 - Dividends and similar income - Line item 70

### 3.1 Dividends and similar income: breakdown

Line items/Income	Total at 31/12/2019		Total at 31/12/2018	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	1,079	0	248	0
B. Other financial assets obligatorily measured at fair value	0	0	10	0
C. Financial assets measured at fair value with impact on total profits	340	0	0	0
D. Equity investments	0	0	60	0
<b>Total</b>	<b>1,419</b>	<b>0</b>	<b>318</b>	<b>0</b>

## 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)]
<b>1. Financial assets from trading</b>	<b>23</b>	<b>3,270</b>	<b>79</b>	<b>419</b>	<b>2,795</b>
1.1 Debt securities	0	2,577	0	419	2,157
1.2 Equity investments	0	0	0	0	0
1.3 Shares in mutual funds	0	0	0	0	0
1.4 Loans	23	0	79	0	-56
1.5 Other	0	693	0	0	693
<b>2. Financial liabilities from trading</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
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
<b>3. Financial assets and liabilities: exchange rate differences</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>4. Derivative instruments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>92</b>	<b>-92</b>



Transactions/Income components	Capital Gains (A)	Trading profit (B)	Losses (C)	Trading losses (D)	Net income [(A+B) - (C+D)]
4.1 Financial derivatives	0	0	0	92	-92
- on debt securities and interest rates	0	0	0	92	-92
- on capital securities and equity indexes	0	0	0	0	0
- on foreign currencies 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	0,00
<b>Total</b>	<b>23</b>	<b>3,270</b>	<b>79</b>	<b>512</b>	<b>2,702</b>

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 at 31/12/2019	Total at 31/12/2018
<b>A. Income related to:</b>		
A.1 Hedges of fair value	91	0
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 currency	0	0
<b>Total income from pledged assets (A)</b>	<b>91</b>	<b>0</b>
<b>B. Expenses related to:</b>		
B.1 Hedges of fair value	0	0
B.2 Hedged financial assets (fair value)	0	0
B.3 Hedged Financial liabilities (fair value)	0	-11
B.4 Hedging cash flows	0	0
B.5 Assets and liabilities in foreign currency	0	0
<b>Total expenses of pledged assets (B)</b>	<b>0</b>	<b>-11</b>
<b>C. Net hedging result (A-B)</b>	<b>91</b>	<b>-10</b>
of which: income from hedges on net positions	0	0

The table shows the net income from hedges. Therefore, the table details the income components recognized 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: breakdown

Line items/Income components	Total at 31/12/2019			Total at 31/12/2018		
	Gains	Losses	Net income	Gains	Losses	Net income
<b>A. Financial assets</b>						
1. Financial assets measured at amortized cost	1,093	3,495	-2,402	0	365	-365
1.1 Receivables from banks	1,093	0	1,093	0	0	0
1.2 Receivables from customers	0	3,495	-3,495	0	365	-365
2. Financial assets measured at fair value with impact on total profits	205	0	205	106	0	106
2.1 Debt Securities	205	0	205	106	0	106
2.2 Loans	0	0	0	0	0	0
<b>Total assets</b>	<b>1,298</b>	<b>3,495</b>	<b>-2,197</b>	<b>106</b>	<b>365</b>	<b>-259</b>
<b>B. Financial liabilities valued at amortized cost</b>						
1. Payables to banks	0	0	0	0	0	0
2. Payables to customers	0	0	0	0	0	0
3. Outstanding securities	0	98	-98	35	0	35
<b>Total liabilities</b>	<b>0</b>	<b>98</b>	<b>-98</b>	<b>35</b>	<b>0</b>	<b>35</b>

The table shows the economic result deriving from the divestment of financial assets other than those held for trading.





Losses amounting to 3,495 thousand euro derive from the new disposal of impaired receivables transacted in 2019, while the financial assets measured at fair value with impact on total profits show a negative net income amounting to 98 thousand euro.

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

### 8.1 Net adjustments of value due to credit risk related to financial assets measured at amortized cost: breakdown

Transactions/Income components	Value adjustments (1)			Write-backs of value (2)		Total at 31/12/2019	Total at 31/12/2018
	First and second stages	Third stage		First and second stages	Third stage		
		Write-off	Other				
<b>A. Receivables from banks</b>							
- Loans	-59	0	0	87	0	28	-77
- Debt securities	0	0	0	0	0	0	-132
of which: impaired receivables purchased or originated	0	0	0	0	0	0	0
<b>B. Receivables from customers</b>	0	0	0	0	0	0	0
- Loans	-5,390	0	-52,157	2,500	44,438	-10,608	-25,589
- Debt Securities	-300	0	0	0	0	-300	-174
of which: impaired receivables purchased or originated	0	0	0	0	0	0	0
<b>Total</b>	<b>-5,749</b>	<b>0</b>	<b>-52,157</b>	<b>2,587</b>	<b>44,438</b>	<b>-10,881</b>	<b>-25,971</b>

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

### Additional detail of value adjustments/write-backs on receivables - Line item 130 of the income statement

Description of the portfolio	2019 Amount	2018 Amount
<b>RECEIVABLES FROM BANKS:</b>		
Securities HTC - stage 1	0	0
Securities HTC - stage 2	-215	-132
Adjustments other receivables - stage 1	-59	-121
Write-backs other receivables - stage 1	87	44
Other receivables- stage 2	0	0
<b>RECEIVABLES FROM CUSTOMERS:</b>		
Non-performing loans- Value adjustments	-47,962	-58,275
Non-performing loans- Write-backs of value	22,989	24,104
Probable defaults – Write-backs of value	20,475	-15,000
Probable defaults - Value adjustments	-2,627	21,816
Restructured – Net value adjustments/write-backs	0	0
Overdue - Write-backs of value	974	2,648
Overdue - Value adjustments	-1,568	-1,457
Value adjustments - Bonis - Stage 2	-3,689	-828
Write-backs of value - Bonis - Stage 2	321	1,262
Value adjustments - Bonis - Stage 1	-1,424	-1,173
Write-backs of value - Bonis - Stage 1	2,179	1,633
Losses without use of fund - Stage 1/2	-260	-222
Losses other transactions - Stage 1/2	-17	-97
Securities HTC - stage 1	-85	-174
Securities HTC - stage 2	0	0
<b>Total – Net Value Adjustments /Write-backs</b>	<b>-10,881</b>	<b>-25,971</b>

### 8.2 Net value adjustments due to credit risk 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 at 31/12/2019	Total at 31/12/2018
	First and second stages	Third stage		First and second stages	Third stage		
		Write-off	Other				
<b>A. Debt Securities</b>	<b>-79</b>	<b>0</b>	<b>0</b>	<b>615</b>	<b>0</b>	<b>536</b>	<b>41</b>
<b>B. Loans</b>							
- to customers	0	0	0	0	0	0	0



Transactions/Income components	Value adjustments (1)			Write-backs of value (2)		Total at 31/12/2019	Total at 31/12/2018
	First and second stages	Third stage		First and second stages	Third stage		
		Write-off	Other				
- to banks	0	0	0	0	0	0	0
of which: impaired receivables purchased or originated	0	0	0	0	0	0	0
<b>Total</b>	<b>-79</b>	<b>0</b>	<b>0</b>	<b>615</b>	<b>0</b>	<b>536</b>	<b>41</b>

The table summarizes the value adjustments and write-backs recognized 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	31/12/2019			31/12/2018		
	Profits	Losses	Net income	Profit	Losses	Net income
<b>A. Financial assets</b>						
1.1 Receivables from customers	0	-226	-226	0	-21	-21
<b>Total</b>	<b>0</b>	<b>-226</b>	<b>-226</b>	<b>0</b>	<b>-21</b>	<b>-21</b>

The table shows the net income deriving from contractual modifications of financial instruments that do not require derecognition from the balance sheet of the assets in question, 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 at 31/12/2019	Total at 31/12/2018
1) Employees	-26,804	-25,965
a) salaries and wages	-18,354	-17,883
b) social security contributions	-4,925	-4,718
c) severance pay	0	0
d) pension costs	0	0
e) al location to employee severance pay	-1,233	-1,188
f) al location to pension fund and similar obligations:	0	0
- to a defined contribution plan	0	0
- to a defined service plan	0	0
g) payments to external complementary pension funds	-740	-723
- to a defined contribution plan	-740	-723
- to a defined service plan	0	0
h) costs deriving from payment agreements based on own equity instruments	0	0
i) other employee benefits	-1,552	-1,453
2) Other personnel	-75	-227
3) Directors and Statutory Auditors	-430	-353
4) Retired personnel	0	0
5) Recovery of expenses for personnel temporarily transferred to other companies	342	349
6) Recovery of expenses for third party personnel temporarily transferred to the company	-167	-14
<b>Total</b>	<b>-27,133</b>	<b>-26,210</b>

The table shows an increase of the aggregate amounting to 923 thousand euro (3.52%).

#### 10.2 Average number of employees by category

Description	Values at 31/12/2019	Values at 31/12/2018
<b>Employees</b>	<b>375</b>	<b>362</b>
a) Managers	3	3
b) Middle management	84	88
c) Remaining employees	288	271



Description	Values at 31/12/2019	Values at 31/12/2018
<b>Other personnel</b>	<b>12</b>	<b>11</b>
<b>Total</b>	<b>387</b>	<b>373</b>

#### Precise number of personnel by category

Description	Values at 31/12/2019	Values at 31/12/2018
<b>Employees</b>	<b>380</b>	<b>377</b>
a) Managers	3	3
b) Middle management	84	87
c) Remaining employees	293	287
<b>Other personnel</b>	<b>12</b>	<b>11</b>
<b>Total</b>	<b>392</b>	<b>388</b>

#### 10.4 Personnel costs: other employee benefits

Type of expense/Values	Total at 31/12/2019	Total at 31/12/2018
1) Meal vouchers for employees	-606	-539
2) Loyalty bonus for employees	0	0
3) Other employee costs	-946	-913
<b>Total</b>	<b>-1,552</b>	<b>-1,453</b>

#### 10.5 Other administrative costs: breakdown

Line items/Values	Total at 31/12/2019	Total at 31/12/2018	Var.	% var.
1. Insurance and security	-871	-1,188	317	-26.66%
2. Advertising and entertainment	-1,564	-1,337	-227	16.95%
3. Rent for real property	-37	-2,481	2,444	-98.51%
4. Maintenance, repairs, transformation of real and personal property	-5,477	-4,306	-1,170	27.18%
5. Electricity, heating and cleaning services	-1,059	-1,128	69	-6.16%
6. Telex, telephone and postage	-1,171	-1,253	83	-6.58%
7. Costs for data processing	-3,431	-4,757	1,325	-27.86%
8. Stamped paper and stationary	-319	-300	-18	6.07%
9. Fees to outside professionals	-2,842	-3,110	268	-8.62%
10. Costs for credit recovery	0	0	0	0.00%
11. Technical assistance and maintenance of software products	-2,847	-2,951	105	-3.54%
12. Information and registry searches	-1,334	-1,631	296	-18.18%
13. Charitable contributions allocated to the income statement	-5	-3	-2	
14. Expenses for treasury assets	-5	-29	24	-82.99%
15. Travel and transportation expenses	-477	-456	-21	4.64%
16. Indirect taxes	-4,248	-4,005	-243	6.07%
17. Other costs	-8,063	-5,263	-2,800	53.21%
<b>Total</b>	<b>-33,748</b>	<b>-34,198</b>	<b>450</b>	<b>-1.32%</b>

The reduction of sub-line item "Rent for real property" derives from the application, as of 1 January 2019, of the new IFRS 16 accounting principle, replacing the IAS 17 accounting principle. While under the IAS 17 principle, lease fees were recorded in line item "Other administrative costs", with the application of the new principle, charges related to the rights of use are recognized in line item "Net adjustments/write-backs to property, plants and equipment" and interest payable for liabilities for leases in line item "Interest expenses and similar expenses".

#### The line item "Other costs" includes:

Line items/Values	Total at 31/12/2019	Total at 31/12/2018
Contribution in favor of the Resolution fund – Ordinary	1,065	21
Contribution in favor of the resolution fund – Extraordinary	390	0
Contribution to the DGS fund	1,681	1,395
Expenses for Internal Audit service (Cambiano Group)	1,037	915
Management and coordination expenses (Cambiano Group)	2,013	1,525
<b>Total</b>	<b>6,187</b>	<b>3,856</b>

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.



Management and coordination expenses and internal audit expenses refer to the cost invoiced by the parent company (Ente Cambiano s.c.p.a.) for services rendered to Banca Cambiano 1884 s.p.a..

**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 at 31/12/2019	Total at 31/12/2018
	First and second stages	Third stage		First and second stages	Third stage		
		Write-off	Other				
A. Commitments to disburse funds	0	0	0	0	0	0	0
B. Financial guarantees issued	-140	0	-348	90	548	151	158
<b>Total</b>	<b>-140</b>	<b>0</b>	<b>-348</b>	<b>90</b>	<b>548</b>	<b>151</b>	<b>158</b>

**11.2 Net allocations related to commitments and other guarantees issued: breakdown**

Transactions/Income components	Value adjustments (1)			Write-backs of value (2)		Total at 31/12/2019	Total at 31/12/2018
	First and second stages	Third stage		First and second stages	Third stage		
		Write-off	Other				
A. Lending	0	0	0	0	0	0	0,00
B. Guarantees issued	0	0	0	0	0	0	0,00
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0,00</b>

**11.3 Net allocations to risk and expense funds: breakdown**

Line items/Values	Total at 31/12/2019	Total at 31/12/2018
1. Allocations to pending litigation	-19	0
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	38	2
<b>Total</b>	<b>19</b>	<b>2</b>

**Section 12 - Net value 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. For functional use	-5,433	0	0	-5,433
- Owned	-3,103	0	0	-3,103
- Purchased through financial lease	-2,330	0	0	-2,330
2. held for investment	0	0	0	0
- Owned	0	0	0	0
- Right of use acquired through lease	0	0	0	0
3. Inventories	X	0	0	0
<b>Total</b>	<b>-5,433</b>	<b>0</b>	<b>0</b>	<b>-5,433</b>

**Section 13 - Net value 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.1 Owned				
- Generated internally by the company	-289	0	0	-289
- Other	0	0	0	0
A.2 Purchased in financial leasing	-289	0	0	-289
A.1 Owned	0	0	0	0
<b>Total</b>	<b>-289</b>	<b>0</b>	<b>0</b>	<b>-289</b>



## Section 14 – Other management income and expenses - Line item 200

### 14.1 Other management expenses: breakdown

Line items/Values	Total at 31/12/2019	Total at 31/12/2018
1. Contingent liabilities and non-existent assets	-139	-49
2. Use of guarantee funds	0	0
3. Depreciation of third party assets	-227	-226
<b>Total</b>	<b>-366</b>	<b>-275</b>

### 14.2 Other management income: breakdown

Line items/Values	Total at 31/12/2019	Total at 31/12/2018
1. Recovery of expense	4.753	3.895
4. Contingent assets and non-existent liabilities	58	82
5. Other income	253	101
<b>Total</b>	<b>5.064</b>	<b>4.077</b>

The increase in value for other management income is attributable to higher recovery of expenses for property estimations and increased services rendered to companies in the Group.

## Section 15 – Profit (Loss) from equity investments - Line item 220

### 15.1 Profit (loss) from equity investments: breakdown

Income component/Values	Total at 31/12/2019	Total at 31/12/2018
A. Income		
1. Revaluations	249	766
2. Gains from disposal	0	0
3. Write-backs of value	0	0
4. Other income	0	0
B. Expenses		
1. Write-downs	0	60
2. Value adjustments from impairment	0	0
3. Losses from disposal	0	0
4. Other expenses	0	0
<b>Net income</b>	<b>249</b>	<b>706</b>

Line item A.1 "Revaluations" includes the following transactions:

- Revaluation of Cabel Leasing s.p.a. in the amount of 194 thousand euro for fiscal year profit achieved by the subsidiary;
- Revaluation of Cabel Industry s.p.a. in the amount of 54 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 at 31/12/2019	Total at 31/12/2018
Pistoia Branch	0	-1,692
San Giovanni V/A Branch	0	-408
Bologna Branch	-229	0
Turin Branch	-1,455	-50
Rome Branch	0	0
<b>Total</b>	<b>-1,684</b>	<b>-2,150</b>

The 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 at 31/12/2019	Total at 31/12/2018
A. Property, plants and equipment		
- Gains from disposal	0	0
- Losses from disposal	0	0
B. Other assets		



Income component/ Values	Total at 31/12/2019	Total at 31/12/2018
- Gains from disposal	3	6
- Losses from disposal	-1	0
<b>Net income</b>	<b>2</b>	<b>6</b>

### Section 19 – Fiscal year income taxes on current operations - Line item 270

#### 19.1 Fiscal year income taxes on current operations: breakdown

Income components/Values	Total at 31/12/2019	Total at 31/12/2018
1. Current taxes (-)	-6.912	-488
2. Variation of current taxes of previous fiscal years (+/-)	0	0
3. Reduction of current taxes for 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 (+/-)	3.636	540
5. Variation of deferred taxes (+/-)	123	96
<b>6. Fiscal year income taxes (-) (1+/-2+3+/-4+/-5)</b>	<b>-3.153</b>	<b>148</b>

Current taxes are measured in accordance with current tax legislation.

#### Summary of fiscal year income taxes, by type of tax

Income components/Values	Total at 31/12/2019
- Ires (corporate income tax)	-2,366
- Irap (tax on productive activities)	-787
- Other taxes	0
<b>Total</b>	<b>-3,153</b>

#### 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	16,353		16,353	
(B) Income taxes – Theoretical burden	4,497	27.50%	911	5.57%
Reductions of tax base	5,284	27.50%	1,591	5.57%
Additions to tax base	9,385	27.50%	8,341	5.57%
Tax base	20,455		23,103	
Income taxes – effective tax burden	5,625	27.50%	1,287	5.57%
Pre-paid/deferred taxes	-3,259	27.50%	-500	5.57%
<b>Total taxes</b>	<b>2,366</b>		<b>787</b>	
<b>Overall tax</b>	<b>3,153</b>			
<b>Effective tax rate</b>	<b>19.28%</b>			



# **EXPLANATORY NOTES**

## **PART D – Overall profitability**



**ANALYTICAL SCHEDULE OF OVERALL PROFITABILITY**

	Line items	31/12/2019	31/12/2018
10	<b>Fiscal year profit (loss)</b>	<b>13,200</b>	<b>3,500</b>
	<b>Other income components without reversal to income statement</b>		
20	Capital securities measured at fair value with impact on total profits:	21	-41
	a) variations of fair value	21	-41
	b) transfer to other components of shareholders' equity	0	0
30	Financial liabilities measured at fair value with impact on the income statement (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	-171	-54
80	Non-current assets and groups of assets in the course of divestment	0	0
90	Share of valuation reserves of equity investments measured at shareholders' equity	0	0
100	Income taxes relative to other income components without reversal to income statement	0	28
	<b>Other income components with reversal to income statement</b>		
110	Hedging of foreign investments:	0	0
	a) variations of fair value	0	0
	b) reversal to income statement	0	0
	c) other variations	0	0
120	Exchange rate differences:	0	0
	a) variations of value	0	0
	b) reversal to income statement	0	0
	c) other variations	0	0
130	Hedging cash flows:	0	0
	a) variations of fair value	0	0
	b) reversal to income statement	0	0
	c) other variations	0	0
	of which: income of net positions	0	0
140	Hedging instruments (non designated elements)	0	0
	a) variations of fair value	0	0
	b) reversal to income statement:	0	0
	c) other variations	0	0
150	Financial assets (other than equity instruments) measured at fair value with impact on overall profitability:	3,564	-5,162
	a) variations of fair value	3,608	-5,347
	b) reversal to income statement:	-45	226
	- adjustments due to impairment	0	0
	- gains/losses from use	-45	226





	Line items	31/12/2019	31/12/2018
	c) other variations	0	-41
160	Non-current assets and groups of assets in the course of divestment:	0	0
	a) variations of fair value	0	0
	b) reversal to income statement	0	0
	c) other variations	0	0
170	Share of valuation reserves of equity investments measured at shareholders' equity	0	0
	a) variations of fair value	0	0
	b) reversal to income statement:	0	0
	- adjustments from impairment	0	0
	- gains/losses from use	0	0
	c) other variations	0	0
180	Income taxes relative to other income components with reversal to income statement	0	1,694
<b>190</b>	<b>Total other income components</b>	<b>3,414</b>	<b>-3,535</b>
<b>200</b>	<b>Overall profitability (Line items 10 + 190)</b>	<b>16,614</b>	<b>-35</b>

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 recognized directly in shareholders' equity, sterilizing the components that already matured and thus which had been recognized 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.



**EXPLANATORY NOTES**

**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 organizational 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 organization 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 ensured by an appropriate corporate organization 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. Within the larger scope of the reference framework relative to the overall Group Internal Controls System, the Bank has undersigned an outsourcing contract with the Parent Company for the use of the relative Internal Auditing Functions, maintaining only an internal reference function (so-called link auditor). Given the size and in compliance with the “principle of proportionality”, the internal auditing function is carried out in co-sourcing with META Srl, 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 organizational 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 organizational measures adopted by the Bank to avoid involvement in sanctionable actions pursuant to Law 231 of 2001.

As set forth in the Organizational Model, the committee periodically reports to the Board of Directors.

## 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;
- favoring 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 Organizational 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 2019 fiscal year a specific “NPL Office”, within General Management and composed of “Legal and Litigation Services Office” and the “Problem Debts Management Office” and “Credit Control Office”, which were once a part of the Business Management 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 favoring an anticipatory management of credit risk and implementing management strategies aimed at improving the Bank's credit quality. The corporate organization 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. The Credit Control Office 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.

On this matter, please note that during the meeting held on 13.12.2019, the Board of Directors approved a document titled "Map of the Credit Process" that redefines the overall structure of the credit process, effective as of the 2020 fiscal year.

The basic regulations for the process were revised, and specifically the document: (i) establishes the Credit Management Office, that aligns the whole credit area (including the Problem Loads Area), initially subdivided – even in terms of organizational location – on several hierarchical levels; (ii) updates the "Credit Risk" and "Proxies and Powers" Regulations – as regards loans and credit disbursements; (iii) updates the criteria and the process for granting forbearance measures, by adopting the new credit policy regarding forbearance measures.

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.

## 2.2 Management, measurement and control systems

Risk management, measurement and control systems are developed in an organizational 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 ensures supervision and coordination of the operative stages of the credit process, carries out the credit application and decision processes within the scope of its powers, and performs the first level controls within its area of competence. Instead, the NPL department monitors and coordinates all the operational stages of the non performing loan process.

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 standard 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.

### 2.3 Techniques 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 allocation 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 is observed:

- Variation of the probability of default used for internal management purposes. Therefore, this assessment is made adopting a “relative” criterion. This criterion was revised during the meeting of the Board of Directors held on 27.09.2019, subsequent to the completion of the backtesting activities initiated by the Risk Management Office during the month of June 2019. The new criterion, effective as of the month of October 2019, in conformity with the current guidelines for the 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 be classified in Stage 2, with final classification in the level 11 probability of default



class, in place of the previous criterion that requires passage to Stage 2 for exposures that jumped at least 6 classes from the moment of origin of the probability of default used for internal management purposes, with final classification in level 14 or 15 probability of default class. The application of the new criterion has resulted in passing approximately 1000 exposures from Stage 1 to Stage 2 of IFRS 9, with an increase of value adjustments amounting to 1.5 Euro/Million;

- 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 installments, 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 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.

## 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 organizational 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, or guarantees issued by specialized bodies (for example, Confidi, a credit guarantee consortium) and by Financial institutes (for example: Government guarantee through Mediocredito Centrale pursuant to Law 662/1996).

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 25 March 2019, the Board of Directors approved the update to the Bank’s NPL Operational Plan, based on the Bank of Italy Guidelines for impaired receivables; the update was sent to Bank of Italy on 31 March 2019. Moreover, on 30 December 2019, the Board of Directors approved the Business Plan for the 2020-2024 three-year period, subsequently integrated during the meeting held on 27.01.2020.

In the Business Plan for 2020-2024, 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 8.5%, (net NPL ratio lower than 5.3%) and a risk cost that is lower than 0.5%.

During the 2017-2018 fiscal years, transactions were planned to dispose of a significant portion of the NPL portfolio, for an overall value of 209 Million/€ (137 Million/€ gross planned for 2017 and 71,9 Million/€ in 2018), which subsequently contributed to the creation of the Reserve for first time adoption of the IFRS 9 accounting principle, for a total of 64.3 Million/€. In May 2018, the Bank perfected the transfer without recourse of a part of the aforementioned NPL portfolio for 93.5 Million/€ gross. During the 2018 fiscal year, positions included within the perimeter of the disposal plan, for a total of 16 Million/€, were also closed.

On 3 October 2019, the Bank perfected a second transfer without recourse of part of the aforementioned NPL portfolio, for 62.5 Million/€ gross (principal and expenses).

The remaining part of the portfolio, amounting to 37 Million/€, is currently under examination by various counterparties for the purpose of obtaining the best conditions possible price terms with respect to the market context.

The Bank’s asset quality is characterized by an incidence of gross impaired receivables at 31.12.2019 of 11.30%, lower than the 13.61% (-232 bp) measured in December 2018 for the Bank.

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 7<sup>th</sup> 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 7<sup>th</sup> 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 default 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 installments) 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 overdrawn exposures:** 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 installments, the unpaid installment 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.

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 installments) overdue and not paid.

Therefore, in 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 payment 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 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.

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 as 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 recognized 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.
- During 2019, the Bank booked 1.7 Million/€ in write offs on gross non-performing loans.

### 3.3 Purchased or originated impaired 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.

#### 4. Financial assets subject to commercial renegotiation and exposures covered by forbearance

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 fulfillment of all financial obligations originally taken on.

Instead, a forbearance measure is a variation of contract terms in favor 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.

New forbearance measures with 2019 contractual modifications involve 238 credit lines with a negative impact of 0.25 million euro of cost booked in the income statement for the fiscal year; during the fiscal year, there was no derecognition of financial assets from the balance sheet with re-booking of a new asset (so-called "derecognition accounting").

### 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 type of credit quality (balance sheet values)



Portfolios/quality	Non-performing loans	Probable default	Impaired overdue positions	In bonis overdue positions	Other in bonis positions	Total at 31/12/2019
1. Financial assets measured at amortized cost	89,287	79,091	8,334	67,126	2,846,919	3,090,758
2. Financial assets measured at fair value with impact on total profits	0	0	0	0	345,205	345,205
3. Financial assets measured at fair value	0	0	0	0	0	0
4. Financial assets obligatorily measured at fair value	0	0	0	2,478	63,160	65,638
5. Financial assets in the course of divestment	0	0	0	0	0	0
<b>Total at 31/12/2019</b>	<b>89,287</b>	<b>79,091</b>	<b>8,334</b>	<b>69,604</b>	<b>3,255,284</b>	<b>3,501,600</b>
<b>Total at 31/12/2018</b>	<b>90,203</b>	<b>96,273</b>	<b>4,462</b>	<b>48,827</b>	<b>3,159,902</b>	<b>3,399,667</b>

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 11,746 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-off	Gross exposure	Overall value adjustments	Net exposure	
1. Financial assets measured at amortized cost	304,692	127,980	176,712	571	2,925,734	11,689	2,914,045	<b>3,090,758</b>
2. Financial assets measured at fair value with impact on total profits	0	0	0	0	345,425	221	345,205	<b>345,205</b>
3. Financial assets measured at fair value	0	0	0	0	0	0	0	<b>0</b>
4. Financial assets obligatorily measured at fair value	0	0	0	0	0	0	65,638	<b>65,638</b>
5. Financial assets in the course of divestment	0	0	0	0	0	0	0	<b>0</b>
<b>Total at 31/12/2019</b>	<b>304,692</b>	<b>127,980</b>	<b>176,712</b>		<b>3,271,160</b>	<b>11,910</b>	<b>3,324,888</b>	<b>3,501,600</b>
<b>Total at 31/12/2018</b>	<b>363,350</b>	<b>172,411</b>	<b>190,938</b>		<b>3,218,517</b>	<b>9,788</b>	<b>3,208,729</b>	<b>3,399,667</b>

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 11,746 thousand euro.

**A.1.2 bis Distribution of credit exposure for 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	22,554
2. Hedges		0	0
<b>Total</b>		<b>0</b>	<b>22,554</b>

**A.1.3 Distribution of financial assets by time overdue (balance sheet values)**

Portfolios/Risk stages	First stage			Second stage			Third stage		
	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	From 1 to 30 days	Over 30 days up to 90	Over 90 days
1. Financial assets measured at amortized cost	13,593	2	36	7,246	12,939	33,310	3,481	3,385	137,845
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 the course of divestment	0	0	0	0	0	0	0	0	0
<b>TOTAL AT 31/12/2019</b>	<b>13,593</b>	<b>2</b>	<b>36</b>	<b>7,246</b>	<b>12,939</b>	<b>33,310</b>	<b>3,481</b>	<b>3,385</b>	<b>137,845</b>
<b>TOTAL AT 31/12/2018</b>	<b>8,643</b>	<b>170</b>	<b>1</b>	<b>8,039</b>	<b>9,036</b>	<b>22,938</b>	<b>1,177</b>	<b>2,827</b>	<b>140,446</b>


**A.1.4 Financial assets, commitments to disburse funds and financial guarantees issued: dynamics of the overall value adjustments and total provisions – part 1**

Causal factors/risk stages	Overall value adjustments				
	Assets classified in stage two				
	FA measured at amortized cost	FA measured at fair value with impact on total profits	FA in the course of divestment	of which: individual write-downs	of which: collective write-downs
Overall initial adjustments	6,063	370	0	370	6,063
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 for credit risk (+/-)	-697	-191	0	-106	-783
Contract modifications without derecognition	0	0	0	0	0
Changes in the method of estimation	0	0	0	0	0
Write-offs not recognized directly to the Income Statement	0	0	0	0	0
Other variations	-21	0	0	254	-275
<b>Overall final adjustments</b>	<b>5,345</b>	<b>179</b>	<b>0</b>	<b>518</b>	<b>5,005</b>
Recoveries from collections on financial assets written off	0	0	0	0	0
Write-offs recognized directly to 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 total provisions – part 2**

Causal factors/risk stages	Overall value adjustments				
	Assets classified in stage two				
	FA measured at amortized cost	FA measured at fair value with impact on total profits	FA in the course of divestment	of which: individual write-downs	of which: collective write-downs
Overall initial adjustments	2,761	387	0	387	2,761
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 for credit risk (+/-)	3,582	-344	0	-344	3,582
Contract modifications without derecognition	0	0	0	0	0
Changes in the method of estimation	0	0	0	0	0
Write-offs not recognized directly to the Income Statement	0	0	0	0	0
Other variations	0	0	0	0	0
<b>Overall final adjustments</b>	<b>6,344</b>	<b>42</b>	<b>0</b>	<b>42</b>	<b>6,344</b>
Recoveries from collections on financial assets written off	0	0	0	0	0
Write-offs recognized directly to 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 total provisions – part 3**

Causal factors/risk stages	Overall value adjustments					
	Assets classified in stage three					of which: impaired financial assets purchased or originated
	FA measured at amortized cost	FA measured at fair value with impact on total profits	FA in the course of divestment	of which: individual write-downs	of which: collective write-downs	
Overall initial adjustments	172,411	0	0	161,506	10,906	0
Value increases from financial assets purchased or originated	0	0	0	0	0	0
Derecognition other than write-offs	-47,512	0	0	-47,512	0	0
Net adjustments/write-backs for credit risk (+/-)	7,719	0	0	7,719	0	0



Causal factors/risk stages	Overall value adjustments					
	Assets classified in stage three					of which: impaired financial assets purchased or originated
	FA measured at amortized cost	FA measured at fair value with impact on total profits	FA in the course of divestment	of which: individual write- downs	of which: collective write-downs	
Contract modifications without derecognition	0	0	0	0	0	0
Changes in the method of estimation	0	0	0	0	0	0
Write-offs not recognized directly to the Income Statement	0	0	0	0	0	0
Other variations	-4,639	0	0	6,267	-10,906	0
<b>Overall final adjustments</b>	<b>127,980</b>	<b>0</b>	<b>0</b>	<b>127,980</b>	<b>0</b>	<b>0</b>
Recoveries from collections on financial assets written off	0	0	0	0	0	0
Write-offs recognized directly to the Income Statement	0	0	0	0	0	0

**A.1.4 Financial assets, commitments to disburse funds e financial guarantees issued: dynamics of overall value adjustments and 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	
Value increases from financial assets purchased or originated	0	0	2,248	184,240
Derecognition other than write-offs	0	0	0	0
Net adjustments/write-backs for credit risk (+/-)	0	0	0	-47,512
Contract modifications without derecognition	42	8	-201	9,917
Changes in the method of estimation	0	0	0	0
Write-offs not recognized directly to the Income Statement	0	0	0	0
Other variations	0	0	0	0
<b>Overall final adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-4,660</b>
Recoveries from collections on financial assets written off	42	8	2,047	141,986
Write-offs recognized directly to the Income Statement	0	0	0	0
Value increases from financial assets purchased or originated	0	0	0	0

**A.1.5 Financial assets, commitments to disburse funds e financial guarantees issued: transfers between the various risk stage (gross and nominal 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
1. Financial assets measured at amortized cost	118,172	27,682	13,774	5,635	5,154	1,540
2. Financial assets measured at fair value with impact on total profits	0	0	0	0	0	0
3. Financial assets in the course of divestment	0	0	0	0	0	0
4. Commitments to disburse funds and financial guarantees issued	1,105	159	0	0	0	0
<b>Total at 31/12/2019</b>	<b>119,277</b>	<b>27,841</b>	<b>13,774</b>	<b>5,635</b>	<b>5,154</b>	<b>1,540</b>
<b>Total at 31/12/2018</b>	<b>50,241</b>	<b>34,035</b>	<b>27,176</b>	<b>4,397</b>	<b>10,553</b>	<b>572</b>

**A.1.6 Cash and off balance sheet exposure to banks: gross and net values**



Type of exposure/values	Gross exposures		Overall value adjustments and total provisions	Net exposures	Overall partial write-offs (*)
	Impaired	In bonis			
<b>A. Cash exposures</b>					
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	174,261	438	173,823	0
- of which: forbearance	X	0	0	0	0
<b>TOTAL A</b>	<b>0</b>	<b>174,261</b>	<b>438</b>	<b>173,823</b>	<b>0</b>
<b>B. Off balance sheet positions</b>					
a) Impaired	0	X	0	0	0
b) In bonis	X	10,549	0	10,549	0
<b>TOTAL B</b>	<b>0</b>	<b>10,549</b>	<b>0</b>	<b>10,549</b>	<b>0</b>
<b>TOTAL A + B</b>	<b>0</b>	<b>21,099</b>	<b>0</b>	<b>21,099</b>	<b>0</b>

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 11,746 thousand euro, and securities issued by non-bank counterparties for 400,839 thousand euro.

#### A.1.7 Cash and off balance sheet exposure to customers: gross and net values

Type of exposure/values	Gross exposures		Overall value adjustments and overall provisions	Net exposures	Overall partial write-offs (*)
	Impaired	In bonis			
<b>A. Cash exposures</b>					
a) Non-performing loans	171,904	X	82,616	89,287	571
- of which: forbearance	0	X	0	0	0
b) Probable defaults	123,118	X	44,027	79,091	0
- of which: forbearance	83,292	X	33,538	49,753	03
c) Impaired overdue exposures	9,670	X	1,336	8,334	0
- of which: forbearance	182	X	12	170	0
d) In bonis overdue exposures	X	70,848	1,244	69,604	0
- of which: forbearance	X	11,694	227	11,467	0
e) Other in bonis exposures	X	3,114,428	10,490	3,103,937	0
- of which: forbearance	X	34,534	893	33,641	0
<b>TOTAL A</b>	<b>304,692</b>	<b>3,185,276</b>	<b>139,714</b>	<b>3,350,254</b>	<b>571</b>
<b>B. Off balance sheet positions</b>					
a) Impaired	14,587	X	2,047	12,540	0
b) In bonis	X	935,653	0	935,653	0
<b>TOTAL B</b>	<b>14,587</b>	<b>935,653</b>	<b>2,047</b>	<b>948,193</b>	<b>0</b>
<b>TOTAL A + B</b>	<b>319,279</b>	<b>4,120,929</b>	<b>141,810</b>	<b>4,298,397</b>	<b>571</b>

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 11,746 thousand euro, and Securities issued by banks for 10,004 thousand euro.

#### A.1.9 Cash exposures to customers: dynamics of gross impaired accounts

Variables/Categories	Non-performing loans	Probable defaults	Impaired overdue/overdrawn exposures
<b>A. Initial gross exposures</b>	<b>199,881</b>	<b>158,278</b>	<b>5,191</b>
- of which: accounts disposed of but not derecognized	0	0	0
<b>B. Additions</b>			
B.1 entries from receivables in bonis	14,411	14,967	9,207
B.2 entries from impaired financial assets purchased or originated	0	0	0
B.3 transfers from other categories of impaired accounts	22,736	2,819	110



Variables/Categories	Non-performing loans	Probable defaults	Impaired overdue/overdrawn exposures
B.4 contract modifications without derecognition	0	0	0
B.5 other additions	1,426	929	130
<b>C. Reductions</b>	0	0	0
C.1 transfers to receivables in bonis	0	7,731	482
C.2 write-offs	1,712	0	0
C.3 collections	0	0	142
C.4 income from disposals	12,352	0	0
C.5 losses from disposals	51,013	0	0
C.6 transfers from other categories of impaired accounts	351	21,658	3,657
C.7 contract modifications without derecognition	0	0	0
C.8 other reductions	1,124	24,486	687
<b>D. Final gross exposure</b>	<b>171,904</b>	<b>123,118</b>	<b>9,670</b>
- of which: accounts disposed of but not derecognized	0	0	0

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 of 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
<b>A. Initial gross exposure</b>	<b>97,740</b>	<b>54,981</b>
- of which: accounts disposed of by not derecognized	0	0
<b>B. Additions</b>	<b>32,719</b>	<b>17,692</b>
B.1 entries from receivables in bonis without forbearance	7,179	9,798
B.2 entries from receivables in bonis with forbearance	8,712	0
B.3 entries from impaired receivables with forbearance	0	5,325
B.4 other additions	16,828	2,569
<b>C. Reductions</b>	<b>46,985</b>	<b>26,445</b>
C.1 transfers to receivables in bonis without forbearance	0	9,391
C.2 transfers to receivables in bonis with forbearance	5,325	0
C.3 transfers to impaired receivables with forbearance	0	8,712
C.4 derecognition	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	41,660	8,342
<b>D. Final gross exposure</b>	<b>83,474</b>	<b>46,228</b>
- of which: accounts disposed of but not derecognized	0	0

**A.1.11 Impaired cash exposures to customers: dynamics of overall value adjustments**

Variables/Categories	Non-performing loans		Probable defaults		Impaired overdue/overdrawn exposures	
	Total	of which: forbearance	Total	of which: forbearance	Total	of which: forbearance
<b>A. Initial overall adjustments</b>	109,679	0	62,005	46,638	728	2
- of which: accounts disposed of but not derecognized	0	0	0	0	0	0
<b>B. Additions</b>						
B.1 value adjustments from impaired financial assets purchased or originated	0	0	0	0	0	0
B.2 other additions	47,962	0	2,627	0	1,568	0
B.3 losses from disposals	0	0	0	0	0	0
B.4 transfers from other categories of impaired accounts	206	0	312	71	32	0
B.5 contract modifications without derecognition	0	0	0	0	0	0
B.6 other additions	0	0	0	11,642	463	12
<b>C. Reductions</b>	0	0	0	0	0	0
C.2 write-backs of value from collections	22,989	0	20,475	0	974	0
C.3 income from disposals	0	0	0	0	0	0
C.4 write-off	0	0	0	0	0	0





Variables/Categories	Non-performing loans		Probable defaults		Impaired overdue/overdrawn exposures	
	Total	of which: forbearance	Total	of which: forbearance	Total	of which: forbearance
C.5 transfers from other categories of impaired accounts	0	0	0	0	0	0
C.6 contract modifications without derecognition	39	0	32	0	479	0
C.7 other reductions	0	0	0	0	0	0
<b>D. Final overall adjustments</b>	<b>52,202</b>	<b>0</b>	<b>411</b>	<b>24,812</b>	<b>0</b>	<b>2</b>
C.2 write-backs of value from collections	<b>82,616</b>	<b>0</b>	<b>44,027</b>	<b>33,538</b>	<b>1,336</b>	<b>12</b>
- of which: accounts disposed of but not derecognized	0	0	0	0	0	0

## A.2 Classification of exposures based on external and internal 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 at 31/12/2019
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Financial assets measured at amortized cost								
- First stage	0	0	369,282	0	0	0	2,295,400	2,664,682
- Second stage	0	0	0	3,637	5,146	0	252,269	261,052
- Third stage	0	0	0	0	0	0	304,692	304,692
B. Financial assets measured at fair value with impact on total profits								
- First stage	0	0	337,239	0	0	0	0	337,239
- Second stage	0	0	0	8,186	0	0	0	8,186
- Third stage	0	0	0	0	0	0	0	0
<b>Total (A + B)</b>	<b>0</b>	<b>0</b>	<b>706,521</b>	<b>11,823</b>	<b>5,146</b>	<b>0</b>	<b>2,852,361</b>	<b>3,575,852</b>
of which: financial assets impaired purchased or originated	0	0	0	0	0	0	842	4,487,021
C. Commitments to disburse funds and financial guarantees issued								
- First stage	0	0	0	0	0	0	879,549	879,549
- Second stage	0	0	0	0	0	0	56,129	56,129
- Third stage	0	0	0	0	0	0	12,540	12,540
<b>Total (C)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>948,218</b>	<b>948,218</b>
<b>Total (A + B + C)</b>	<b>0</b>	<b>0</b>	<b>706,521</b>	<b>11,823</b>	<b>5,146</b>	<b>0</b>	<b>3,800,579</b>	<b>4,524,070</b>

Class 1 = AAA/AA-

Class 2 = A+/A-

Class 3 = BBB+/BBB-

Class 4 = BB+/BB-

Class 5 = B+/B-

Class 6 = Lower than 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 leases	Securities	Other collateral
<b>1. Secured cash exposures:</b>					
1.1 totally 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
<b>2 Secured off balance sheet credit exposures:</b>					
2.1 totally secured	0	0	0	0	0
- of which impaired	0	0	0	0	0



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Line items	Net exposure value	Collateral (1)			
		Real property for mortgage	Real property for financial leases	Securities	Other collateral
2.2 partially secured	0	0	0	0	0
- of which impaired	0	0	0	0	0

A.3.1 Secured credit exposure to banks - part 2

Line items	Personal security (2)									Total (1)+(2)
	Derivatives on receivables					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						
<b>1. Secured cash exposures:</b>										
1.1 totally 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
- of which impaired	0	0	0	0	0	0	0	0	0	0
<b>2 Secured off balance sheet credit exposures:</b>										
2.1 totally 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 exposures	Net exposures	Collateral (1)			
			Real property for mortgage	Real property – for financial leases	Securities	Other collateral
<b>1. Secured cash exposures:</b>						
1.1 totally secured	1,838,754	1,761,858	1,348,997	0	3,113	18,097
- of which impaired	219,438	150,211	121,788	0	40	870
1.2 partially secured	108,968	102,038	512	0	485	3,467
- of which impaired	13,177	7,021	57	0	20	579
<b>2 Secured off balance sheet credit exposures:</b>						
2.1 totally secured	137,494	137,494	14,159	0	930	7,430
- of which impaired	2,753	2,753	49	0	0	10
2.2 partially secured	24,525	24,525	0	0	186	1,725
- of which impaired	482	482	0	0	0	30

A.3.2 Secured credit exposures to customers - parte 2

Line items	Personal security (2)									Total (1)+(2)
	Derivatives on receivables					Endorsement receivables				
	CLN	Other derivatives				Public administrations	Banks	Other financial companies	Other parties	
Central counterparties		Banks	Other financial companies	Other parties						
<b>1. Secured cash exposures:</b>										
1.1 totally secured	0	0	0	0	0	48,410	0	17,990	317,817	1,754,425
- of which impaired	0	0	0	0	0	3,777	0	1,416	21,863	149,753
1.2 partially secured	0	0	0	0	0	25,110	0	5,298	31,837	66,709
- of which impaired	0	0	0	0	0	1,733	0	846	1,599	4,834
<b>2 Secured off balance sheet credit exposures:</b>										
2.1 totally secured	0	0	0	0	0	2,152	0	2,107	110,020	136,800
- of which impaired	0	0	0	0	0	0	0	85	2,609	2,753



Line items	Personal security (2)									Total (1)+(2)
	Derivatives on receivables					Endorsement receivables				
	CLN	Other derivatives				Public administrations	Banks	Other financial companies	Other parties	
Central counterparties		Banks	Other financial companies	Other parties						
2.2 partially secured	0	0	0	0	0	435	0	468	11,857	14,670
- of which impaired	0	0	0	0	0	0	0	35	328	393

## B. Distribution and concentration of credit exposure

### B.1 Sector 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: insurance companies)	
	Net exposures	Overall value adjustments	Net exposures	Overall value adjustments	Net exposures	Overall value adjustments
<b>A. Cash exposure</b>						
A.1 Non-performing loans	0	0	1,849	1,329	0	0
- of which: forbearance	0	0	0	0	0	0
A.2 Probable defaults	0	0	73	28	0	0
- of which: forbearance	0	0	0	0	0	0
A.3 Impaired overdue exposures	0	0	1	0	0	0
- of which: forbearance	0	0	0	0	0	0
A.4 In bonis exposures	727,976	518	221,386	90	7,958	40
- of which: forbearance	0	0	0	0	0	0
<b>TOTAL A</b>	<b>727,976</b>	<b>518</b>	<b>223,308</b>	<b>1,447</b>	<b>7,958</b>	<b>40</b>
<b>B. "Off balance sheet" exposures</b>						
B.1 Impaired exposures	0	0	0	0	0	0
B.2 In bonis exposures	908	0	75,667	0	0	0
<b>TOTAL B</b>	<b>908</b>	<b>0</b>	<b>75,667</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL (A+B) 31/12/2019</b>	<b>728,884</b>	<b>518</b>	<b>298,975</b>	<b>1,447</b>	<b>7,958</b>	<b>40</b>
<b>TOTAL (A+B) 31/12/2018</b>	<b>610,504</b>	<b>618</b>	<b>190,433</b>	<b>1,347</b>	<b>11,640</b>	<b>95</b>

### B.1 Sector distribution of "off balance sheet" credit exposures to customers (book value) - part 2

Exposures/Counterparties	Non finance companies		Families	
	Net exposures	Overall value adjustments	Net exposures	Overall value adjustments
<b>A. Cash exposure</b>				
A.1 Non-performing loans	49,443	64,806	37,995	16,482
- of which: forbearance	0	0	0	0
A.2 Probable defaults	42,884	33,780	36,134	10,220
- of which: forbearance	23,857	25,196	25,897	8,342
A.3 Impaired overdue exposures	3,260	675	5,073	662
- of which: forbearance	0	0	170	12
A.4 In bonis exposures	1,200,582	9,311	1,023,597	1,815
- of which: forbearance	22,145	858	22,963	262
<b>TOTAL A</b>	<b>1,296,170</b>	<b>108,571</b>	<b>1,102,800</b>	<b>29,178</b>
<b>B. "Off balance sheet" exposures</b>				
B.1 Impaired exposures	13,648	2,047	938	0
B.2 In bonis exposures	770,486	44	88,591	5
<b>TOTAL B</b>	<b>784,135</b>	<b>2,090</b>	<b>89,530</b>	<b>5</b>
<b>TOTAL (A+B) 31/12/2019</b>	<b>2,080,305</b>	<b>110,661</b>	<b>1,192,329</b>	<b>29,184</b>
<b>TOTAL (A+B) 31/12/2018</b>	<b>2,034,277</b>	<b>145,307</b>	<b>1,163,906</b>	<b>36,574</b>

Exposures/Counterparties	TOTAL	
	Net exposures	Overall value adjustments
<b>A. Cash exposure</b>		
A.1 Non-performing loans	89,287	82,616
- of which: forbearance	0	0
A.2 Probable defaults	79,091	44,027



Exposures/Counterparties	TOTAL	
	Net exposures	Overall value adjustments
- of which: forbearance	49,753	33,538
A.3 Impaired overdue exposures	8,334	1,336
- of which: forbearance	170	12
A.4 In bonis exposures	3,173,542	11,734
- of which: forbearance	45,108	1,120
<b>TOTAL A</b>	<b>3,350,254</b>	<b>139,714</b>
<b>B. "off balance sheet" exposures</b>		
B.1 Impaired exposures	14,587	2,047
B.2 In bonis exposures	935,653	49
<b>TOTAL B</b>	<b>950,240</b>	<b>2,096</b>
<b>TOTAL (A+B) 31/12/2019</b>	<b>4,300,493</b>	<b>141,810</b>
<b>TOTAL (A+B) 31/12/2018</b>	<b>3,999,140</b>	<b>183,846</b>

**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 exposures	Overall value adjustments	Net exposures	Overall value adjustments	Net exposures	Overall value adjustments
<b>A. Cash exposures</b>						
A.1 Non-performing loans	89,266	82,560	21	56	0	0
A.2 Probable defaults	79,084	44,025	7	2	0	0
A.3 Impaired overdue exposures	8,332	1,336	1	0	1	0
A.4 In bonis exposures	3,165,245	11,724	7,497	11	557	0
<b>TOTAL (A)</b>	<b>3,341,927</b>	<b>139,644</b>	<b>7,526</b>	<b>69</b>	<b>557</b>	<b>0</b>
<b>B. "Off balance sheet" exposures</b>						
B.1 Impaired exposures	14,587	2,047	0	0	0	0
B.2 In bonis exposures	935,485	49	168	0	0	0
<b>TOTAL (B)</b>	<b>950,072</b>	<b>2,096</b>	<b>168</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL (A + B) 31/12/2019</b>	<b>4,291,999</b>	<b>141,741</b>	<b>7,693</b>	<b>69</b>	<b>557</b>	<b>0</b>
<b>TOTAL (A + B) 31/12/2018</b>	<b>3,990,623</b>	<b>183,774</b>	<b>7,764</b>	<b>71</b>	<b>396</b>	<b>1</b>

**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 exposures	Overall value adjustments	Net exposures	Overall value adjustments
<b>A. Cash exposures</b>				
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 exposures	88	0	155	0
<b>TOTAL (A)</b>	<b>88</b>	<b>0</b>	<b>155</b>	<b>0</b>
<b>B. "Off balance sheet" exposures</b>				
B.1 Impaired exposures	0	0	0	0
B.2 In bonis exposures	0	0	0	0
<b>TOTAL (B)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL (A + B) 31/12/2019</b>	<b>88</b>	<b>0</b>	<b>155</b>	<b>0</b>
<b>TOTAL (A + B) 31/12/2018</b>	<b>195</b>	<b>0</b>	<b>162</b>	<b>0</b>

Exposures/geographical areas	TOTAL	
	Net exposures	Overall value adjustments
<b>A. Cash exposures</b>		
A.1 Non-performing loans	89,287	82,616
A.2 Probable defaults	79,091	44,027
A.3 Impaired overdue exposures	8,334	1,336
A.4 In bonis exposures	3,173,542	11,734
<b>TOTAL (A)</b>	<b>3,350,254</b>	<b>139,714</b>
<b>B. "Off balance sheet" exposures</b>		
B.1 Impaired exposures	14,587	2,047



Exposures/geographical areas	TOTAL	
	Net exposures	Overall value adjustments
B.2 In bonis exposures	935,653	49
<b>TOTAL (B)</b>	<b>950,240</b>	<b>2,096</b>
<b>TOTAL (A + B) 31/12/2019</b>	<b>4,300,493</b>	<b>141,810</b>
<b>TOTAL (A + B) 31/12/2018</b>	<b>3,999,140</b>	<b>183,846</b>

The cash exposures shown in the table (3,350,524 thousand) 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 11,746 thousand euro, and bank securities amounting to 10,004 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 exposures	Overall value adjustments	Net exposures	Overall value adjustments	Net exposures	Overall value adjustments
<b>A. Cash exposures</b>						
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 exposures	112,175	407	60,496	30	1,065	1
<b>TOTAL (A)</b>	<b>112,175</b>	<b>407</b>	<b>60,496</b>	<b>30</b>	<b>1,065</b>	<b>1</b>
<b>B. "Off balance sheet" exposures</b>						
B.1 Impaired exposures	0	0	0	0	0	0
B.2 In bonis exposures	8,637	0	1,913	0	0	0
<b>TOTAL (B)</b>	<b>8,637</b>	<b>0</b>	<b>1,913</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL (A + B) 31/12/2019</b>	<b>120,812</b>	<b>407</b>	<b>62,409</b>	<b>30</b>	<b>1,065</b>	<b>1</b>
<b>TOTAL (A + B) 31/12/2018</b>	<b>285,682</b>	<b>577</b>	<b>48,898</b>	<b>23</b>	<b>62</b>	<b>0</b>

### 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 exposures	Overall value adjustments	Net exposures	Overall value adjustments
<b>A. Cash exposures</b>				
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 exposures	87	0	0	0
<b>TOTAL (A)</b>	<b>87</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>B. "Off balance sheet" exposures</b>				
B.1 Impaired exposures	0	0	0	0
B.2 In bonis exposures	0	0	0	0
<b>TOTAL (B)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL (A + B) 31/12/2019</b>	<b>87</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL (A + B) 31/12/2018</b>	<b>75</b>	<b>0</b>	<b>0</b>	<b>0</b>

Exposures/geographical areas	TOTAL	
	Net exposures	Overall value adjustments
<b>A. Cash exposures</b>		
A.1 Non-performing loans	0	0
A.2 Probable defaults	0	0
A.3 Impaired overdue exposures	0	0
A.4 In bonis exposures	173,823	438
<b>TOTAL (A)</b>	<b>173,823</b>	<b>438</b>
<b>B. "Off balance sheet" exposures</b>		
B.1 Impaired exposures	0	0
B.2 In bonis exposures	10,549	0
<b>TOTAL (B)</b>	<b>10,549</b>	<b>0</b>
<b>TOTAL (A + B) 31/12/2019</b>	<b>184,372</b>	<b>438</b>
<b>TOTAL (A + B) 31/12/2018</b>	<b>334,715</b>	<b>601</b>



The cash exposures to banks shown in the tables (173,823 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 11,746 thousand euro, and bonds issued by non-bank counterparties, amounting to 400,839 thousand euro, are not included. Data are distributed territorial based on the country of residence of the counterparty.

**B.4 Large risks (according to regulatory legislation)**

Line items/Values	31/12/2019			31/12/2018		
	Number	Balance sheet value	Weighted value	Number	Balance sheet value	Weighted value
a. Large risks	10	1,672,759	253,399	12	1,597,841	335,436
b. Zero weighted risks	2	542,228	0	2	242,519	0
<b>Total Large risks (A-B)</b>	<b>8</b>	<b>1,130,531</b>	<b>253,399</b>	<b>10</b>	<b>1,355,322</b>	<b>335,436</b>

**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 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 2019 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 transactions**

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. 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 families"); 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 acts as Servicer 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 27/11/2017, the classes of Notes specified here following:

Senior – (Class "A" Notes)

- Euro 181,656,000 Class A1-2017 (Fornacette);
- Euro 360,925,000 Class A2-2017 (Cambiano);

Junior – (Class "B" Notes)

- Euro 54,137,000 Class B1-2017 (Fornacette);
- Euro 107,562,000 Class B2-2017 (Cambiano);

Similarly, the second portfolio of receivables sold within the scope of the Restructuring operation was financed on 06/12/2019 by issuing the following securities:

Senior – (Class "A" Notes)

- Euro 157,866,000 Class A1-2019 (Fornacette);
- Euro 285,773,000 Class A2-2019 (Cambiano);

Junior – (Class "B" Notes)

- Euro 3,380,000 Class B1-2019 (Fornacette);
- Euro 1,330,000 Class B2-2019 (Cambiano);

Summary table of issues:

Subscriber	Isin	Class	Tranching Senior	Rating at issue	Rating at 31.12.2019	Nominal	Amount outstanding at 31.12.2019	Amount outstanding after repayment 27.01.2020
Banca di Pisa e Fornacette	IT0005315210	Class A1 - 2017	84.00%	AA / AA-	AA / AA	181,656,000	114,287,697	109,785,655
Banca di Pisa e Fornacette	IT0005391237	Class A1 - 2019	84.00%	AA / AA	AA / AA	157,866,000	157,866,000	151,646,340
<b>Banca Cambiano</b>	<b>IT0005315228</b>	<b>Class A2 - 2017</b>	<b>84.00%</b>	<b>AA / AA-</b>	<b>AA / AA</b>	<b>360,925,000</b>	<b>228,219,659</b>	<b>220,728,715</b>
<b>Banca Cambiano</b>	<b>IT0005391245</b>	<b>Class A2 - 2019</b>	<b>84.00%</b>	<b>AA / AA</b>	<b>AA / AA</b>	<b>285,773,000</b>	<b>285,773,000</b>	<b>276,392,450</b>
		<b>Class A Notes</b>	<b>84.00%</b>			<b>986,220,000</b>	<b>786,146,356</b>	<b>758,553,160</b>
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
<b>Banca Cambiano</b>	<b>IT0005315244</b>	<b>Class B2 - 2017</b>	<b>16.00%</b>			<b>107,562,000</b>	<b>107,562,000</b>	<b>107,562,000</b>
<b>Banca Cambiano</b>	<b>IT0005391260</b>	<b>Class B2 - 2019</b>	<b>16.00%</b>			<b>1,330,000</b>	<b>1,330,000</b>	<b>1,330,000</b>
		<b>Class B Notes</b>	<b>16.00%</b>			<b>166,409,000</b>	<b>166,409,000</b>	<b>166,409,000</b>

Class "A" Notes were listed on the Irish Stock Exchange, while class "B" Notes were neither listed nor given a rating. On 23 October 2018. 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 1884 s.p.a.

**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 1884 s.p.a.

**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 1884 s.p.a.

**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 1884 s.p.a.





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 the par value of the Senior Notes 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
<b>Total Reserve</b>	<b>100.00%</b>	<b>11,760,106</b>

- 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
<b>Total</b>	<b>100%</b>	<b>80,000</b>

- The Transaction restructuring expenses (294,727.31 pro quota for Banca Cambiano 1884 s.p.a.) and the expenses for the Restructuring (246,905.34 pro quota for Banca Cambiano 1884 s.p.a.).

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 favor 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 31.12.2019
Banca di Pisa e Fornacette Cash Reserve Amount	4,071,673	4,071,673
Banca Cambiano Cash Reserve Amount	7,688,433	7,688,433
<b>Total Reserve</b>	<b>11,706,106</b>	<b>11,706,106</b>

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 31/12/2019

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 31/12/2019.

#### Securitized assets

At the close of 2019 self-securitized assets were equivalent to their purchase price, net of the amounts received as at transfer date of 31/12/2019, and the amounts to be received for collections during the fiscal year but not yet transferred by the Servicers and increased by accrued interest due as at 31/12/2019.



**Table of Securitized assets – Overall values:**

	31/12/2019
In bonis securitized receivables	909,360,317
Receivables for interest accrued but not yet received	29,695
<b>Total</b>	<b>909,390,012</b>

At 31/12/2019, no accounts were classified as “impaired”, while those classified as “probable defaults” amounted to 68,226.09 euro.

Assets disposed of by Banca Cambiano 1884 s.p.a. had the following characteristics:

	31/12/2019
Residual capital	595,799,417
Number of loans	7,395
Average residual life (years)	16.46
Weighted average rate	1.91%
Average amount of the loan	80,568
Current LTV	0.633910

The table below indicates the outstanding securitized assets as at 31/12/2019, classified on the basis of their residual life:

	Total Portfolio		Banca Cambiano Portfolio	
	Balance at 31/12/2019	Impact %	Balance at 31/12/2019	Impact %
Up to 3 months	115,824	0.01%	82,051	0.01%
From 3 to 6 months	261,455	0.03%	189,372	0.04%
From 6 to 12 months	968,220	0.11%	675,630	0.11%
From 12 to 60 months	27,073,220	2.98%	20,199,802	3.39%
Over 60 months	880,940,598	96.87%	574,652,562	96.45%
<b>Total</b>	<b>909,360,317</b>	<b>100.00%</b>	<b>595,799,417</b>	<b>100.00%</b>

Finally, the table below shows breakdown of the portfolio subdivided by category, as at 31/12/2019:

	Total Portfolio		Banca Cambiano Portfolio	
	Number of positions	Balance at 31/12/2019	Number of positions	Balance at 31/12/2019
Up to 25,000	1,459	19,760,258	1,139	15,699,890
From 25,000 to 75,000	4,189	205,151,359	3,045	147,291,843
From 75,000 to 250,000	4,947	607,617,984	3,056	374,074,584
Over 250,000	204	76,830,716	155	58,733,100
<b>Total</b>	<b>10,799</b>	<b>909,360,317</b>	<b>7,395</b>	<b>595,799,417</b>

**Use of available funds**

Description	31/12/2019
Liquidity in BNY bank account n. 6983879780 (Expenses Acc.)	390,196
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.)	31,946,341
Liquidity in BNY bank account n. 6983999780 (Banca Cambiano Cash Reserve Acc.)	7,688,433
Liquidity in BNY bank account n. 6984009780 (BCC Pisa e Fornacette Cash Reserve Acc.)	4,071,673
Liquidity in BNY bank account n. 6983929780 (Payment Acc.)	69
Liquidity in BNY bank account n. 6983939780 (Banca Cambiano Suspension Acc.)	22,970
Liquidity in BNY bank account n. 6983949780 (BCC Pisa e Fornacette Suspension Acc.)	0
Receivables from Servicers for collections to be received	805,875
Accrued interest income on securitized receivables	1,616,164
Prepaid expenses	29,342
<b>Total</b>	<b>46,571,062</b>

**Interest on issued notes (economic competence)**

	31/12/2019
Interest payable on Class A Notes	1,788,384
Interest payable on Class B Notes	12,648,101

**Fees and commissions charged to the transaction**



During the 2019 fiscal year, fees and commissions charged to the transaction are composed of the line items detailed in the table below.

Description	31/12/2019
Servicing fees (Banca Pisa)	98,339
<b>Servicing fees (Banca Cambiano)</b>	<b>184,215</b>
Computation agent fee	24,400
Sub Computation Agent fee	1,230
Listing Agent fee	3,000
Representative of the Noteholders fee	8,599
Account Bank, Cash Manager, Principal Paying Agent fees	10,781
Other	138,683
Expenses for Restructuring	400,000
<b>Total</b>	<b>869,247</b>

The line item "Other" includes fees charged by the Bank of New York for negative cash flows, amounting to 95,801.91 euro.

#### Profit and loss account of Banca Cambiano 1884 s.p.a.

Costs recognized in the profit and loss account at 31/12/2019

Description	Amount
Recurring costs of the SPV	351,980
Structuring costs of the SPV	124,397
<b>Total costs</b>	<b>476,377</b>

Revenue recognized in the profit and loss account at 31/12/2019

Description	Amount
Servicing commission income	184,215
<b>Total revenue</b>	<b>184,215</b>

#### Interest generated by securitized assets

As at 31 December 2019, the total portfolio of self-securitized mortgage loans generated the following interest amounts:

	31/12/2019
Interest on securitized receivables	15,276,844
Interest on early settlement	72,532
Other revenue	8,592
<b>Total</b>	<b>15,357,968</b>

## E. Sales transactions

### A. Financial assets sold by not fully derecognized

#### Qualitative and quantitative information

##### E.1 Sold financial assets recognized in full and connected financial liabilities: balance sheet values

Technical forms/Portfolio	Sold financial assets recognized 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	Balance sheet value	of which: subject of securitization transactions	of which: subject of sales contracts with agreement to repurchase
<b>A. Financial assets held for trading</b>				X			
1. Debt Securities	0	0	0	X	0	0	0
2. Equity investments	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>B. Financial assets obligatorily measured at fair value</b>							
1. Debt securities	0	0	0	0	0	0	0
2. Equity investments	0	0	0	X	0	0	0
3. Loans	0	0	0	0	0	0	0



Technical forms/Portfolio	Sold financial assets recognized 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	Balance sheet value	of which: subject of securitization transactions	of which: subject of sales contracts with agreement to repurchase
<b>C. Financial assets measured at fair value</b>							
1. Debt securities	0	0	0	0	0	0	0
2. Loans	0	0	0	0	0	0	0
<b>D. Financial assets measured at fair value with impact on total profits</b>							
1. Debt securities	176,237	0	176,237	0	175,748	0	175,748
2. Equity investments	0	0	0	X	0	0	0
3. Loans	0	0	0	0	0	0	0
<b>C. Financial assets measured at amortized cost</b>							
1. Debt securities	156,910	0	156,767	0	0	0	0
2. Loans	0	0	0	0	0	0	0
<b>Total at 31/12/2019</b>	<b>333,148</b>	<b>0</b>	<b>333,005</b>	<b>0</b>	<b>175,748</b>	<b>0</b>	<b>175,748</b>
<b>Total at 31/12/2018</b>	<b>344,699</b>	<b>0</b>	<b>344,699</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**E.3 Sales transactions with liabilities that have recourse exclusively on the transferred assets not fully derecognized: fair value**

Technical forms/Portfolio	Recognized in full	Partially recognized	Total	
			31/12/2019	31/12/2018
<b>A. Financial assets held for trading</b>				
1. Debt securities	0	0	0	39,947
2. Equity investments	0	0	0	0
3. Loans	0	0	0	0
4. Derivatives	0	0	0	0
<b>B. Financial assets obligatorily measured at fair value</b>				
1. Debt securities	0	0	0	0
2. Equity investments	0	0	0	0
3. Loans	0	0	0	0
<b>C. Financial assets measured at fair value</b>				
1. Debt securities	0	0	0	0
2. Loans	0	0	0	0
<b>D. Financial assets measured at fair value with impact on total profits</b>				
1. Debt securities	176,237	0	176,237	200,328
2. Equity investments	0	0	0	0
3. Loans	0	0	0	0
<b>C. Financial assets measured at amortized cost (fair value)</b>				
1. Debt securities	158,337	0	158,337	104,424
2. Loans	0	0	0	0
<b>Total financial assets</b>	<b>334,574</b>	<b>0</b>	<b>334,574</b>	<b>344,699</b>
<b>Total associated financial liabilities</b>	<b>333,563</b>	<b>0</b>	<b>X</b>	<b>X</b>
<b>Net value at 31/12/2019</b>	<b>1,012</b>	<b>0</b>	<b>1,012</b>	<b>X</b>
<b>Net value at 31/12/2018</b>	<b>7,384</b>	<b>0</b>	<b>X</b>	<b>7,384</b>

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 risk

### 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.

### 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
<b>1. Cash assets</b>									
1.1 Debt securities									
- with early redemption option	0	0	0	0	0	0	0	0	0
- other	0	25	20,006	0	2,445	0	0	0	22,477
1.2 Other assets	0	0	0	0	0	0	0	0	0
<b>2. Cash liabilities</b>									
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
<b>3. Financial derivatives</b>									
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	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	0	0	0	13	0	0	0	13
+ short-term positions	0	0	0	0	0	0	0	0	0

## 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
<b>1. Cash assets</b>									
1.1 Debt Securities									
- with early redemption option	0	0	0	0	0	0	0	0	0
- other	0	158,413	41,098	38,508	404,984	62,651	29,951	0	735,605
1.2 Loans to banks	41,871	57,525	30,997	0	24,990	0	0	0	155,383
1.3 Loans to customers									
- bank accounts	534,845	518	7,720	3,530	18,001	47	0	0	564,661
- Other loans									
- with early redemption option	45,937	81,470	11,574	34	0	0	0	0	139,016
- other	1,327,595	153,870	83,877	71,715	156,287	49,711	63,879	0	1,906,935
<b>2. Cash liabilities</b>									
2.1 Payables to customers									
- bank accounts	1,982,762	114,829	26,102	37,972	207,061	0	0	0	2,368,727
- other liabilities									
- with early redemption option	0	0	0	0	0	0	0	0	0
- other	54,802	191,736	70,984	72,550	8,095	6,019	403	0	404,589
2.2 Payables to banks									
- bank accounts	122,677	0	0	0	0	0	0	0	122,677
- other liabilities	4,056	7,654	0	0	423,884	0	0	0	435,594
2.3 Debt Securities									
- with early redemption option	0	0	0	0	0	0	0	0	0
- other	281	13,481	12,886	4,914	84,119	56,459	0	0	172,139
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
<b>3. Financial derivatives</b>									
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	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	9,878	20,000	5,000	0	0	0	0	34,878
+ short-term positions	0	20,608	5,803	884	20,000	0	0	0	47,295



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
<b>4. Other off balance sheet transactions</b>									
+ long-term positions	3,719	237	5,795	5,489	11,623	1,483	1,207	0	<b>29,554</b>
+ short-term positions	29,758	0	0	0	0	0	0	0	<b>29,758</b>

Note: Long-term positions and short-term positions in the line item “other derivatives” 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 organizational 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	Currency					
	USA dollars	British pound sterling	Japanese yen	Canadian dollar	Swiss franc	Other currencies
<b>A. Financial assets</b>						
A.1 Debt securities	0	0	0	0	0	0
A.2 Equity investments	0	0	0	0	0	0
A.3 Loans to banks	536	1,082	99	42	88	137
A.4 Loans to customers	75,648	0	0	0	0	0
A.5 Other financial assets	0	0	0	0	0	0
<b>B. Other assets</b>	<b>259</b>	<b>20</b>	<b>53</b>	<b>124</b>	<b>28</b>	<b>84</b>
<b>C. Financial liabilities</b>						
C.1 Payables to banks	67,421	0	0	0	82	0
C.2 Payables to customers	7,839	1,109	147	52	0	136
C.3 Debt securities	0	0	0	0	0	0
C.4 Other financial liabilities	0	0	0	0	0	0
<b>D. Other liabilities</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>E. Financial derivatives</b>						
- Options						
+ Long-term positions	0	0	0	0	0	109
+ Short-term positions	0	0	0	0	0	0
- Other derivatives						



Line items	Currency					
	USA dollars	British pound sterling	Japanese yen	Canadian dollar	Swiss franc	Other currencies
+ Long-term positions	15,985	0	0	0	0	0
+ Short-term positions	16,235	0	0	0	0	0
<b>Total assets</b>	<b>92,429</b>	<b>1,103</b>	<b>152</b>	<b>166</b>	<b>116</b>	<b>329</b>
<b>Total liabilities</b>	<b>91,503</b>	<b>1,109</b>	<b>147</b>	<b>52</b>	<b>82</b>	<b>136</b>
<b>Imbalance (+/-)</b>	<b>926</b>	<b>-7</b>	<b>4</b>	<b>114</b>	<b>34</b>	<b>194</b>

### 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 at 31/12/2019				Total at 31/12/2018			
	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	
<b>1. Debt securities and interest rates</b>								
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
<b>2. Equity instruments and equity indexes</b>								
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
<b>3. Foreign currencies and gold</b>								
a) Options	0	0	0	0	0	0	0	0
b) Swap	0	0	0	0	0	0	0	0
c) Forward	0	0	22,086	0	0	0	8,079	0
d) Futures	0	0	0	0	0	0	0	0
e) Other	0	0	0	0	0	0	0	0
<b>4. Goods</b>	0	0	0	0	0	0	0	0
<b>5. Other underlying assets</b>	0	0	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>40,000</b>	<b>22,086</b>	<b>0</b>	<b>0</b>	<b>40,000</b>	<b>8,079</b>	<b>0</b>
<b>Average values</b>	<b>0</b>	<b>40,000</b>	<b>15,082</b>	<b>0</b>	<b>0</b>	<b>40,000</b>	<b>8,079</b>	<b>0</b>

##### 3.1.A.2 Financial derivatives from trading: positive and negative gross fair value – subdivided by product

Underlying assets / Type of derivative	Total at 31/12/2019				Total at 31/12/2018			
	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	
<b>1. Positive fair value</b>								
a) Options	0	0	0	0	0	0	0	0
b) Interest rate swap	0	13	0	0	0	105	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





Underlying assets / Type of derivative	Total at 31/12/2019				Total at 31/12/2018			
	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	
e) Forward	0	0	64	0	0	0	53	0
f) Futures	0	0	0	0	0	0	0	0
g) Other	0	0	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>13</b>	<b>64</b>	<b>0</b>	<b>0</b>	<b>105</b>	<b>53</b>	<b>0</b>
<b>2. Negative fair value</b>								
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	313	0	0	0	46	0
f) Futures	0	0	0	0	0	0	0	0
g) Other	0	0	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>313</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>46</b>	<b>0</b>

### 3.1.A.3 Financial derivatives from OTC trading: notional values, positive and negative gross fair value, by counterparties

Underlying assets	Central counterparties	Banks	Other financial companies	Other parties
Contracts that are not a part of netting agreements				
<b>1) Debt securities and interest rates</b>				
- notional value	0	0	0	0
- positive fair value	0	0	0	0
- negative fair value	0	0	0	0
<b>2) Equity instruments and equity indexes</b>				
- notional value	0	0	0	0
- positive fair value	0	0	0	0
- negative fair value	0	0	0	0
<b>3) Foreign currencies and gold</b>				
- notional value	0	15,985	0	6,100
- positive fair value	0	13	0	52
- negative fair value	0	303	0	10
<b>4) Goods</b>				
- notional value	0	0	0	0
- positive fair value	0	0	0	0
- negative fair value	0	0	0	0
<b>5) Other</b>				
- notional value	0	0	0	0
- positive fair value	0	0	0	0
- negative fair value	0	0	0	0
Contracts that are a part of netting agreements				
<b>1) Debt securities and interest rates</b>				
- notional value	0	40,000	0	0
- positive fair value	0	13	0	0
- negative fair value	0	0	0	0
<b>2) Equity instruments and equity indexes</b>				
- notional value	0	0	0	0
- positive fair value	0	0	0	0
- negative fair value	0	0	0	0
<b>3) Foreign currencies and gold</b>				
- notional value	0	0	0	0
- positive fair value	0	0	0	0
- negative fair value	0	0	0	0
<b>4) Goods</b>				
- notional value	0	0	0	0
- positive fair value	0	0	0	0
- negative fair value	0	0	0	0



Underlying assets	Central counterparties	Banks	Other financial companies	Other parties
<b>5) Other</b>				
- 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 OTC financial derivatives from trading: notional values

Underlying assets/Residual life	Up to 1 year	Beyond 1 year and up to 5 years	Beyond 5 years	Total at 31/12/2019
A.1 Financial derivatives on debt securities and interest rates	0	40,000	0	<b>40,000</b>
A.2 Financial derivatives on Equity instruments and equity indexes	0	0	0	<b>0</b>
A.3 Financial derivatives on exchange rates and gold	22,086	0	0	<b>22,086</b>
A.4 Financial derivatives on goods	0	0	0	<b>0</b>
A.5 Other financial derivatives	0	0	0	<b>0</b>
<b>Total at 31/12/2019</b>	<b>22,086</b>	<b>40,000</b>	<b>0</b>	<b>62,086</b>
<b>Total at 31/12/2018</b>	<b>8,079</b>	<b>0</b>	<b>40,000</b>	<b>48,079</b>

## 3.2 Recognized hedges

### A. Hedging of fair value

#### 3.2.A.1 Hedge financial derivatives: notional end period values

Underlying assets / Type of derivative	Total at 31/12/2019				Total at 31/12/2018			
	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	25,000	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. Equity instruments 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. Foreign currencies 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
<b>Total</b>	<b>0</b>	<b>25,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>25,000</b>	<b>0</b>	<b>0</b>

#### 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 recognized 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".

Hedge instruments (two IRS) are 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 two types of hedged assets are:

- asset securities;
- bond issues.

##### 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.

##### E.2 Bond issue

This is a micro fair value hedge type of operations that uses an interest rate swap (IRS) as a hedging instrument. The interest rate risk is covered for the duration of the bond.

The derivative entails that the Bank pays, six-monthly and on the notional value of € 5.000000, Euribor 6M+1.05% to receive, on maturity, 50% of the cash flow relative to the Asian call option on a basket of four equity bonds. The derivative covers the bond issued by the Bank with ISIN code IT0005138232.



3.2.A.2 Hedging financial derivatives: positive and negative gross fair value – subdivided by product

Underlying assets / Type of derivative	Total at 31/12/2019				Total at 31/12/2018			
	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	
<b>1. Positive fair value</b>								
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
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2. Negative fair value</b>								
a) Options	0	0	0	0	0	0	0	0
b) Interest rate swap	0	614	0	0	0	735	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
<b>Total</b>	<b>0</b>	<b>614</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>735</b>	<b>0</b>	<b>0</b>

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

Underlying assets	Central counterparties	Banks	Other financial companies	Other parties
Contracts that are not a part of netting agreements				
<b>1) Debt securities and interest rates</b>				
- notional value	0	25,000	0	0
- positive fair value	0	0	0	0
- negative fair value	0	614	0	0
<b>2) Equity instruments and equity indexes</b>				
- notional value	0	0	0	0
- positive fair value	0	0	0	0
- negative fair value	0	0	0	0
<b>3) Foreign currencies and gold</b>				
- notional value	0	0	0	0
- positive fair value	0	0	0	0
- negative fair value	0	0	0	0
<b>4) Goods</b>				
- notional value	0	0	0	0
- positive fair value	0	0	0	0
- negative fair value	0	0	0	0
<b>5) Other</b>				
- notional value	0	0	0	0
- positive fair value	0	0	0	0
- negative fair value	0	0	0	0
Contracts that are a part of netting agreements				
<b>1) Debt securities and interest rates</b>				
- notional value	0	0	0	0
- positive fair value	0	0	0	0
- negative fair value	0	0	0	0
<b>2) Equity instruments and equity indexes</b>				
- notional value	0	0	0	0
- positive fair value	0	0	0	0
- negative fair value	0	0	0	0
<b>3) Foreign currencies and gold</b>				
- notional value	0	0	0	0



Underlying assets	Central counterparties	Banks	Other financial companies	Other parties
- positive fair value	0	0	0	0
- negative fair value	0	0	0	0
<b>4) Goods</b>				
- notional value	0	0	0	0
- positive fair value	0	0	0	0
- negative fair value	0	0	0	0
<b>5) Other</b>				
- 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 asset/Residual life	Up to 1 year	Beyond 1 year and up to 5 years	Beyond 5 years	Total at 31/12/2019
A.1 Financial derivatives on debt securities and interest rates	5,000	20,000	0	25,000
A.2 Financial derivatives on equity instruments 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
<b>Total at 31/12/2019</b>	<b>5,000</b>	<b>20,000</b>	<b>0</b>	<b>25,000</b>
<b>Total at 31/12/2018</b>	<b>0</b>	<b>25,000</b>	<b>0</b>	<b>25,000</b>

## D. Hedged instruments

### 3.2.D.1 Hedging of fair value

	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	
<b>A. Assets</b>						
<b>1. Financial assets measured at fair value with impact on total profits – hedging of:</b>						
1.1 Debt securities and interest rates	20,637	20,637	-529	0	0	0
1.2 Equity instruments and equity indexes	0	0	0	0	0	0
1.3 Foreign currencies and gold	0	0	0	0	0	0
1.4 Receivables	0	0	0	0	0	0
1.5 Other	0	0	0	0	0	0
<b>2. Financial assets measured at amortized cost – hedging of:</b>	0	0	0	0	0	0
1.1 Debt securities and interest rates	0	0	0	0	0	0
1.2 Equity instruments and equity indexes	0	0	0	0	0	0
1.3 Foreign currencies and gold	0	0	0	0	0	0
1.4 Receivables	0	0	0	0	0	0
1.5 Other	0	0	0	0	0	0
<b>Total at 31/12/2019</b>	<b>20,637</b>	<b>20,637</b>	<b>-529</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total at 31/12/2018</b>	<b>20,123</b>	<b>20,123</b>	<b>-599</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>B. Liabilities</b>	0	0	0	0	0	0
<b>1. Financial liabilities valued at amortized cost – hedging of:</b>	0	0	0	0	0	0
1.1 Debt securities and interest rates	4,890	4,890	-34	0	0	0
1.2 Foreign currencies and gold	0	0	0	0	0	0
1.3 Other	0	0	0	0	0	0
<b>Total at 31/12/2019</b>	<b>4,890</b>	<b>4,890</b>	<b>-34</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total at 31/12/2018</b>	<b>4,875</b>	<b>4,875</b>	<b>-88</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 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 counterparty

Contracts that are not a part of netting agreements	Central counterparties	Banks	Other financial companies	Other parties
<b>A. Financial derivatives</b>				
<b>1) Debt securities and interest rates</b>				
- notional value	0	65,000	0	0
- net positive fair value	0	0	0	0
- net negative fair value	0	601	0	0
<b>2) Equity instruments and equity indexes</b>				
- notional value	0	0	0	0
- net positive fair value	0	0	0	0
- net negative fair value	0	0	0	0
<b>3) Foreign currencies and gold</b>				
- notional value	0	15,985	0	6,100
- net positive fair value	0	13	0	52
- net negative fair value	0	303	0	10
<b>4) Goods</b>				
- notional value	0	0	0	0
- net positive fair value	0	0	0	0
- net negative fair value	0	0	0	0
<b>5) Other</b>				
- notional value	0	0	0	0
- net positive fair value	0	0	0	0
- net negative fair value	0	0	0	0
<b>B. Credit derivatives</b>				
<b>1) Purchase hedging</b>				
- notional value	0	0	0	0
- net positive fair value	0	0	0	0
- net negative fair value	0	0	0	0
<b>2) Sale hedging</b>				
- 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 unfavorable 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.

## 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
<b>Cash assets</b>						
A.1 Government bonds	184	0	40,008	0	115,487	23,220
A.2 Other debt securities	0	0	0	0	0	0
A.3 Shares of mutual funds	57,613	0	0	0	0	0
A.4 Loans	0	0	0	0	0	0
- Banks	41,858	0	0	0	0	31,000
- Customers	595,240	5,915	17,610	33,788	159,349	121,582
<b>Cash liabilities</b>						
B.1 Deposits and bank accounts	0	0	0	0	0	0
- Banks	122,683	0	0	7,566	82	0
- Customers	2,034,784	977	2,153	4,476	106,875	26,091
B.2 Debt securities	291	0	0	0	13,282	9,248
B.3 Other liabilities	4,810	40,504	56,311	0	95,312	478,937
<b>“Off balance sheet” transactions</b>						
C.1 Financial derivatives with an exchange of principal	0	0	0	0	0	0
- Long-term positions	0	1,000	3,973	7,213	9,172	804



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
- Short-term positions	0	999	4,061	7,381	9,166	803
C.2 Financial derivatives without an exchange of principal	0	0	0	0	0	0
- Long-term positions	13	0	0	0	0	0
- short-term positions	0	0	0	0	0	141
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	1,220	0	0	3	0	1,293
- Short-term positions	29,758	0	0	0	0	0
C.5 Financial guarantees issued	0	0	0	73	371	436
C.6 Financial guarantees received	0	0	0	0	0	0
C.7 Credit derivatives with 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 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
<b>Cash assets</b>					
A.1 Government bonds	27,647	392,877	126,588	0	726,010
A.2 Other debt securities	0	30,572	1,500	0	32,072
A.3 Shares of mutual funds	0	0	0	0	57,613
A.4 Loans	0	0	0	0	0
- Banks	0	25,000	0	57,874	155,732
- Customers	146,178	762,771	854,497	0	2,696,929
<b>Cash liabilities</b>					
B.1 Deposits and bank accounts	0	0	0	0	0
- Banks	0	0	0	0	130,332
- Customers	37,992	206,476	0	0	2,419,822
B.2 Debt securities	10,128	82,325	56,447	0	171,722
B.3 Other liabilities	73,761	8,749	6,422	0	764,806
<b>“Off balance sheet” transactions</b>					
C.1 Financial derivatives with an exchange of principal	0	0	0	0	0
- Long-term positions	885	0	0	0	23,047
- Short-term positions	884	0	0	0	23,294
C.2 Financial derivatives without an exchange of principal	0	0	0	0	0
- Long-term positions	0	0	0	0	13
- short-term positions	141	371	0	0	654
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 issue funds	0	0	0	0	0
- Long-term positions	723	13,283	13,033	0	29,554
- Short-term positions	0	0	0	0	29,758
C.5 Financial guarantees issued	1,712	39,271	31,421	0	73,282
C.6 Financial guarantees received	0	0	0	0	0
C.7 Credit derivatives with 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 exchange of principal	0	0	0	0	0
- Long-term positions	0	0	0	0	0





Line items/Time brackets	From over 6 months through 1 year	From over 1 year through 5 years	Over 5 years	Indefinite duration	Totals
- Short-term positions	0	0	0	0	0

**List of guarantees – Situation with Eurosystem at 31/12/2019**

Isin	Security	Nominal value	Book value	ECB Assessment	ECB Differences	Portfolio
XS1811053641	BANCO BPM 18-23 1,75% /PRO	3,100	3,136	2,276	-860	HTC
	COLLATERALIZED RECEIVABLES C/O EUROSISTEM	188,158	188,158	92,197	-95,960	HTC
	COLLATERALIZED RECEIVABLES C/O EUROSISTEM	72,610	72,610	35,579	-37,031	HTC
	COLLATERALIZED RECEIVABLES C/O EUROSISTEM	36,054	36,054	15,503	-20,551	HTC
IT0005315228	PONTORMO RMBS	228,220	228,220	204,572	-23,647	Off balance sheet
IT0005391245	PONTORMO RMBS NOTES A2-19 SUB	285,773	285,773	253,866	-31,907	Off balance sheet
	<b>Totals</b>	<b>813,914</b>	<b>813,951</b>	<b>603,994</b>	<b>-209,957</b>	
	Financing with Eurosystem - Use	430,000		-423,884		
	<b>Credit line</b>			<b>180,109</b>		

**List of deposits with Eurosystem at 31/12/2019**

Amount	Rate	Maturity
430,000,00	-0.40000	25/05/2060
<b>430,000,00</b>	<b>-0.40000</b>	

**List of guarantees – Situation with Cassa Compensazione e Garanzia and other parties at 31/12/2019**

Isin	Security	Nominal value	Book value
IT0005215246	BTP 15.10.2023 0.65	40,000	39,836
IT0005215246	BTP 15.10.2023 0.65	40,000	39,836
IT0005348443	BTP 15.10.2021 2.3%	30,000	31,223
IT0005386245	BTP 01.02.2025 0.35%	30,000	29,988
IT0005344335	BTPS 01.10.2023 2.45%	15,000	16,027
IT0005358152	BOT 14.01.2020 365GG	40,000	39,987
IT0005028003	BTP 15.12.2021 2.15%	473	494
IT0005086886	BTP 15.04.2022 1.35	20,000	20,637
IT0005329336	CTZ 30.03.2020	25,000	25,035
IT0005329336	CTZ 30.03.2020	20,000	20,028
IT0005329336	CTZ 30.03.2020	40,000	40,056
IT0005388928	CTZ 29.11.2021	30,000	30,000
	<b>Total</b>	<b>250,473</b>	<b>253,475</b>

## 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 organizational processes aimed at monitoring and management operational risks, with the aid of the following specific organizational 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 organization, 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 leveling operator behavior 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 organizational 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 2019 was € 13,485,147.

### 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.

Type of event resulting in loss			
Categories of the event (level 1)	Definition	2019	2018
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	0
2. External fraud	Losses due to fraud, embezzlement or the violation of laws by parties not employed by the Bank.	10,734	3,792
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	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.	17,552	0
5. Damage to property, plants and equipment	Losses deriving from external events, such as natural catastrophes, terrorism, or acts of vandalism.	0	0
6. Interruptions of operations and system malfunctions	Losses due to interruptions of operations, to malfunctions or the unavailability of systems.	0	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.	92,416	43,485
<b>TOTAL</b>		<b>120,702</b>	<b>47,277</b>



**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](http://www.bancacambiano.it).



# **EXPLANATORY NOTES**

## **PART F – Information on capital**



## SECTION 1- 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 7.25%, composed of the Total SREP Capital Requirement binding measures 4.75% (of which 4.5% pursuant to art. 92 CRR) and the Capital Conservation reserve 2.5%;
- Tier 1 ratio equal to 8.85%: composed of the Total SREP Capital Requirement binding measures 6.35% (of which 6% pursuant to art. 92 CRR) and the Capital Conservation Reserve 2.5%;
- Total Capital ratio equal to 11% composed of the Total SREP Capital Requirement binding measures 8.50% (of which 8% pursuant to art. 92 CRR) and the Capital Conservation Reserve 2.5%.

The value of own funds, that at 31/12/2019 amounts to 11.45% of CET1, 11.45% of Tier1 and 14.14% of Total Capital, is fully compliant on all three levels of binding capital and the capital conservation reserve is hedged by tier 1 capital.

Therefore, 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	31/12/2019 amount	31/12/2018 amount
1. Capital	232,800	232,800
2. Premiums on issue of new shares	803	803
3. Reserves	-66,995	-70,220
- earnings	-66,995	-70,220
a) legal	400	225
b) statutory	0	0
c) treasury shares	0	0
d) other	-67,395	-70,445
- other	0	0
4. Equity instruments	0	0
5. (Treasury shares)	0	0
6. Valuation reserves	1,846	-1,567
-Capital securities measured at fair value with impact on total profits	-595	-616
- 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	169	-3,395
- 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
- Non-current 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	-1,026	-855
- Shares of valuation reserves related to subsidiaries measured at shareholders' equity	3,298	3,298
- Special revaluation laws	0	0
7. Fiscal year profit (loss)	13,200	3,500
<b>Total</b>	<b>181,655</b>	<b>165,316</b>

**B.2 Valuation reserves of financial assets measured at fair value with impact on total profits: breakdown**

Assets/Values	Total at 31/12/2019		Total at 31/12/2018	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	612	443	765	4.159
2. Equity investments	114	709	137	753
3. Loans	0	0	0	0
<b>Total</b>	<b>726</b>	<b>1,152</b>	<b>901</b>	<b>4,912</b>

**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
<b>1. Initial value</b>	<b>-4,151</b>	<b>-616</b>	<b>0</b>
<b>2. Additions</b>	<b>5,237</b>	<b>85</b>	<b>0</b>
2.1 Increases of fair value	4,205	85	0
2.2 Value adjustments due to credit risk	79	0	0
2.3 Reversal to income statement of negative reserves from use	197	0	0
2.4 Transfers to other components of shareholders' equity (equity investments)	0	0	0
2.5 Other additions	757	0	0
<b>3. Reductions</b>	<b>917</b>	<b>64</b>	<b>0</b>
3.1 Decreases of fair value	39	64	0
3.2 Write-backs due to credit risk	615	0	0
3.3 Reversal to income statement from positive reserves: from use	264	X	0
3.4 Transfers to other components of shareholders' equity (equity investments)	0	0	0
3.5 Other reductions	0	0	0
<b>4. Final values</b>	<b>169</b>	<b>-595</b>	<b>0</b>

**SECTION 2 – OWN FUNDS AND REGULATORY RATIOS**

For this section, please consult the information provided on own funds and capital adequacy in the public disclosure information ("Third Pillar") of Gruppo Bancario Cambiano, "Own Funds" chapter.



# **EXPLANATORY NOTES**

## **PART H – Transactions with related parties**

**Introduction**

At 31 December 2019, the Bank belongs to the Gruppo Bancario Cambiano composed of:

- Ente Cambiano Scpa, parent company of the Gruppo Bancario Cambiano;
- Banca Cambiano 1884 Spa;
- Cabel Leasing Spa
- Società Immobiliare 1884 Srl.

The types of related parties, as defined by IAS 24, that are significant to the Bank, include:

- the parent 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 2019, for directors, statutory auditors and executives having strategic responsibilities.

**1. Information regarding compensation for executives having strategic responsibility (gross amounts)**

Line items	31/12/2019	31/12/2018	Var.	% var.
a) Compensation for directors	291	258	33	12.70%
b) Compensation for statutory auditors	139	95	44	45.97%
c) Compensation for executives	1,204	1,194	10	0.88%
<b>Total</b>	<b>1,634</b>	<b>1,547</b>	<b>87</b>	<b>5.62%</b>

**2. Information regarding transactions with related parties**

Directors	31/12/2019	31/12/2018	Var.	% var.
a) Receivables	4,317	3,787	530	14.00%
b) Issued guarantees	147	58	89	153.30%
<b>Total</b>	<b>4,464</b>	<b>3,845</b>	<b>619</b>	<b>16.10%</b>

Statutory Auditors	31/12/2019	31/12/2018	Var.	% var.
a) Receivables	0	0	0	
b) Issued guarantees	5	5	0	0.00%
<b>Total</b>	<b>5</b>	<b>5</b>	<b>0</b>	<b>0.00%</b>

**2. Information regarding transactions with related parties**

The schedule below shows the assets, liabilities, guarantees and commitments as at 31 December 2019, 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%





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 - b) receivables from customers	10,709	110,010	114	0	98	5,281	126,211	4.31%
Line item 120 - Other assets	0	0	0	0	0	0	0	0.00%
<b>Total assets</b>	<b>10,709</b>	<b>110,010</b>	<b>114</b>	<b>0</b>	<b>98</b>	<b>5,281</b>	<b>126,211</b>	<b>3.32%</b>
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	1,028	455	55	2,083	206	3,827	0.14%
Line item 50 - Other liabilities	0	0	0	0	0	0	0	0.00%
<b>Total liabilities</b>	<b>0</b>	<b>1,028</b>	<b>455</b>	<b>55</b>	<b>2,083</b>	<b>206</b>	<b>3,827</b>	<b>0.10%</b>

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 those:

- i. that centralize all governance, planning, control administration and internal audit activities with the Parent Company;
- ii. Inherent to 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 150 million euro, granted in the technical form of opening credit in bank accounts at a 1% rate.

# Annexes



**BANCA  
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## Schedules to the Financial Statements of Cabel Leasing S.p.A.



	BALANCE SHEET - Asset line items	2019	2018
10.	Cash and cash equivalents	1,247	1,331
20.	Financial assets measured at fair value with impact on profit and loss account		
	a) financial assets held for trading		
	b) financial assets designated 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	192,164,017	165,772,611
	a) receivables from banks	564,887	752,116
	b) receivables from finance companies	1,248,546	1,252,536
	c) receivables from customers	190,350,584	163,767,959
50.	Hedge derivatives		
60.	Adjustment of value of financial assets subject of generic hedges (+/-)		
70.	Equity investments		
80.	Property, plants and equipment	4,550,604	4,722,964
90.	Intangible assets		
	of which:		
	- goodwill		
100.	Tax receivables	1,937,966	862,062
	a) current	1,903,853	831,944
	b) pre-paid	34,113	30,118
110.	Non-current assets and groups of assets in the course of divestment		
120.	Other assets	932,514	806,808
	<b>Total assets</b>	<b>199,604,750</b>	<b>172,184,178</b>



<b>BALANCE SHEET - Liability line items and shareholders' equity</b>		<b>2019</b>	<b>2018</b>
<b>10.</b>	Financial liabilities measured at amortized cost	171,791,764	144,948,830
	a) payables	171,791,764	144,948,830
	c) outstanding securities		
<b>20.</b>	Financial liabilities from trading		
<b>30.</b>	Financial liabilities designated at fair value		
<b>40.</b>	Hedge derivatives		
<b>50.</b>	Adjustment of value of financial liabilities subject of generic hedges (+/-)		
<b>60.</b>	Tax liabilities	568,341	479,287
	a) current	204,817	115,763
	b) deferred	363,524	363,524
<b>70.</b>	Liabilities associated to assets in the course of divestment		
<b>80.</b>	Other liabilities	7,114,152	6,893,181
<b>90.</b>	Employee severance pay	185,778	166,799
<b>100.</b>	Risk and expense funds	3,052	3,165
	a) commitments and issued guarantees	3,052	3,165
	b) pensions and similar commitments		
	c) other risk and expense funds		
<b>110.</b>	Share capital	10,000,000	10,000,000
<b>120.</b>	Treasury shares (-)		
<b>130.</b>	Equity instruments		
<b>140.</b>	Premiums on issue of new shares		
<b>150.</b>	Reserves	9,692,916	9,452,344
<b>160.</b>	Valuation reserves		
<b>170.</b>	Fiscal year profit (loss) (+/-)	248,747	240,572
	<b>Total liabilities and shareholders' equity</b>	<b>199,604,750</b>	<b>172,184,178</b>



## INCOME STATEMENT

	Line items	2019	2018
10.	Earned interest and similar income of which earned interest calculated using the actual interest method	4,021,500	3,447,298
20.	Interest expenses and similar expenses	-1,517,237	-1,423,472
30.	<b>Interest income</b>	<b>2,504,263</b>	<b>2,023,826</b>
40.	Commission income	65,778	69,006
50.	Commission expenses	-213,359	-215,862
60.	<b>Commission income</b>	<b>-147,581</b>	<b>-146,856</b>
70.	Dividends and similar income	131	144
80.	Net trading result		
90.	Net hedging result		
100.	Gains/losses from the disposal or repurchase of:		17
	a) financial assets measured at amortized cost		17
	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 effect in the profit and loss account		
	a) financial assets and liabilities designated at fair value		
	b) other financial assets obligatorily measured at fair value		
120.	<b>Operating income</b>	<b>2,356,813</b>	<b>1,877,131</b>
130.	Net adjustments/write-backs of value due to impairment of:		
	a) financial assets measured at amortized cost	-317,133	-154,674
	b) financial assets measured at fair value with impact on total profits		
140.	Profit/loss due to contract modifications without derecognition		
150.	<b>NET INCOME FROM FINANCIAL ASSETS</b>	<b>2,039,680</b>	<b>1,722,457</b>
160.	Administrative costs:		
	a) personnel costs	-967,644	-994,048
	b) other administrative costs	-757,630	-681,615
170.	Net allocations to risk and expense funds		
	a) commitments and issued guarantees	113	-3165
	b) other net allocations		
180.	Net adjustments/write-backs to property, plants and equipment	-78,149	-86,887
190.	Net adjustments/write-backs to intangible assets		
200.	Other operating costs and income	333,748	515,076
210.	<b>OPERATING COSTS</b>	<b>-1,469,563</b>	<b>471,818</b>
220.	Profit (loss) from equity investments		
230.	Net result of fair value measurement of property, plants and equipment and intangible assets	-120,548	-91,092
240.	Adjustments to value of goodwill		
250.	Gains (losses) from the disposal of investments		
260.	<b>Gains (losses) from current operations before taxes</b>	<b>449,570</b>	<b>380,726</b>
270.	Fiscal year income tax on current operations	-200,823	-140,154
280.	<b>Gains (losses) from current operations after taxes</b>	<b>248,747</b>	<b>240,572</b>
290.	Gains (losses) from groups of assets in the course of divestment after taxes		
300.	Fiscal year profit (loss)	248,747	240,572



## Schedules to the Financial Statements of 1884 S.r.l.

<b>BALANCE SHEET - ASSETS</b>	<b>31/12/2019</b>	<b>31/12/2018</b>
<b>A) RECEIVABLES DUE FROM SHAREHOLDERS P/PAID STILL DUE</b>		
I) part already paid in	0	0
II) part to be paid in	0	0
<b>A TOTAL RECEIVABLES DUE FROM SHAREHOLDERS P/PAID STILL DUE</b>	<b>0</b>	<b>0</b>
<b>B) FIXED ASSETS</b>		
<b>I) INTANGIBLE FIXED ASSETS</b>		
1) Start-up and expansion costs	14,796	19,727
7) Other intangible fixed assets	74,041	3,666
<b>I TOTAL INTANGIBLE FIXED ASSETS</b>	<b>88,837</b>	<b>23,393</b>
<b>II) TANGIBLE FIXED ASSETS</b>		
1) Land and buildings	5,307,419	5,378,137
3) Industrial and commercial equipment	2,465	0
4) Other assets	14,334	0
5) Fixed assets under construction and advance payments	914,648	59,576
<b>II TOTAL TANGIBLE FIXED ASSETS</b>	<b>6,238,866</b>	<b>5,437,713</b>
<b>III) FINANCIAL FIXED ASSETS</b>	<b>0</b>	<b>0</b>
<b>B TOTAL FIXED ASSETS</b>	<b>6,327,703</b>	<b>5,461,106</b>
<b>C) CURRENT ASSETS</b>		
<b>I) INVENTORY</b>		
4) finished products and goods	2,793,560	2,091,099
<b>I TOTAL INVENTORY</b>	<b>2,793,560</b>	<b>2,091,099</b>
) <b>Tangible fixed assets destined to sale</b>	<b>0</b>	<b>0</b>
<b>II) RECEIVABLES DUE FROM</b>		
1) Customers:		
<i>a) due within the next financial year</i>	20,000	0
<b>1 TOTAL Customers:</b>	<b>20,000</b>	<b>0</b>
5-bis) Tax receivables		
<i>a) due within the next financial year</i>	780,006	698,277
<b>5-bis TOTAL Tax receivables</b>	<b>780,006</b>	<b>698,277</b>
5-ter) Pre-paid taxes	0	47,798
5-quater) from others		
<i>a) due within the next financial year</i>	242,891	200,232
<b>5-quater TOTAL from others</b>	<b>242,891</b>	<b>200,232</b>
<b>II TOTAL RECEIVABLES:</b>	<b>1,042,897</b>	<b>946,307</b>
<b>III) FINANCIAL ASSETS (not fixed)</b>	<b>0</b>	<b>0</b>
<b>IV) CASH AND CASH EQUIVALENTS</b>		
1) Bank and post office deposits	1,027,747	2,834,165
<b>IV TOTAL CASH AND CASH EQUIVALENTS</b>	<b>1,027,747</b>	<b>2,834,165</b>
<b>C TOTAL CURRENT ASSETS</b>	<b>4,864,204</b>	<b>5,871,571</b>
<b>D) ACCURED INCOME AND PRE-PAYMENTS</b>	<b>1,694</b>	<b>1,582</b>
<b>TOTAL BALANCE SHEET – ASSETS</b>	<b>11,193,601</b>	<b>11,334,259</b>



<b>BALANCE SHEET - LIABILITIES</b>	<b>31/12/2019</b>	<b>31/12/2018</b>
<b>A) SHAREHOLDERS' EQUITY</b>		
I) Share capital	10,000,000	10,000,000
II) Share premium reserve	0	0
III) Revaluation reserve	0	0
IV) Statutory reserve	0	0
V) Capital reserves	0	0
VI) Other reserves:		
<i>ag) Merger surplus reserve</i>	78,551 -	162,951 -
VI TOTAL Other reserves:	78,551 -	162,951 -
VII) Reserves for expected cash flow hedging transactions	0	0
VIII) Retained earnings/accumulated losses	0	473 -
IX) Profit (loss) for the financial year	3,517	84,874
) Losses covered in the financial year	0	0
X) Negative reserve for shares in portfolio	0	0
<b>A TOTAL SHAREHOLDERS' EQUITY</b>	<b>9,924,966</b>	<b>9,921,450</b>
<b>B) RISK AND EXPENSE FUNDS</b>	<b>0</b>	<b>0</b>
<b>C) EMPLOYEE SEVERANCE INDEMNITY</b>	<b>0</b>	<b>0</b>
<b>D) PAYABLES</b>		
4) Payables due to banks		
<i>a) due within the next financial year</i>	54,365	53,289
<i>b) due after the next financial year</i>	899,167	953,532
<b>4 TOTAL Payables due to banks</b>	<b>953,532</b>	<b>1,006,821</b>
7) Payables due to suppliers		
<i>a) due within the next financial year</i>	266,524	401,290
<b>7 TOTAL Payables due to suppliers</b>	<b>266,524</b>	<b>401,290</b>
12) Tax payables		
<i>a) due within the next financial year</i>	4,539	3,020
<b>12 TOTAL Tax payables</b>	<b>4,539</b>	<b>3,020</b>
14) Other payables		
<i>a) due within the next financial year</i>	30,866	0
<b>14 TOTAL Other payables</b>	<b>30,866</b>	<b>0</b>
<b>D TOTAL PAYABLES</b>	<b>1,255,461</b>	<b>1,411,131</b>
<b>E) ACCRUED INCOME AND PRE-PAYMENTS</b>	<b>13,174</b>	<b>1,678</b>
<b>BALANCE SHEET – LIABILITIES</b>	<b>11,193,601</b>	<b>11,334,259</b>



<b>INCOME STATEMENT</b>	<b>31/12/2019</b>	<b>31/12/2018</b>
<b>A) VALUE OF PRODUCTION</b>		
1) Revenues from sales and services	272,391	242,160
5) Other revenues and income		
<i>b) Other revenues and income</i>	424	0
5 TOTAL Other revenues and income	424	0
<b>A TOTAL VALUE OF PRODUCTION</b>	<b>272,815</b>	<b>242,160</b>
<b>B) COST OF PRODUCTION</b>		
6) for raw materials, consumables and goods	702,461	2,091,099
7) for services	34,659	50,541
10) amortization and depreciation:		
<i>a) amort. intang. fixed assets</i>	22,834	5,179
<i>b) amort. tang. fixed assets</i>	72,080	35,359
10 TOTAL amortization and depreciation:	94,914	40,538
11) variations to invent. raw materials, supplies, and goods	702,461 -	2,091,099 -
14) other operating expenses	95,256	20,172
<b>B TOTAL COST OF PRODUCTION</b>	<b>224,829</b>	<b>111,251</b>
<b>A-B TOTALE DIFF. BETWEEN VALUE AND COST OF PRODUCTION</b>	<b>47,986</b>	<b>130,909</b>
<b>C) FINANCIAL INCOME AND CHARGES:</b>		
16) Other financial income:		
<i>d) financial income other than the above</i>		
<i>d5) other</i>	986	11,202
d TOTAL financial income other than the above	986	11,202
16 TOTAL other financial income:	986	11,202
17) interest and other financial charges from:		
<i>e) payables due to others</i>	19,635	51,481
17 TOTAL interest and other financial charges:	19,635	51,481
<b>15+16-17±17bis TOTAL DIFF. BETWEEN FINANCIAL INCOME AND CHARGES</b>	<b>18,649 -</b>	<b>40,279 -</b>
<b>D) VALUE ADJUSTMENTS FOR FINANCIAL ASSETS AND LIABILITIES</b>		
<b>A-B±C±D TOTAL BEFORE TAXES</b>	<b>29,337</b>	<b>90,630</b>
20) Current, deferred and prepaid income tax		
<i>a) current income tax</i>	5,801	5,756
<i>b) taxes due for previous years' income</i>	20,019	0
20 TOTAL current, deferred and prepaid income tax	25,820	5,756
21) Profit (loss) for the year	3,517	84,874





## Analytical list of real property with indication of revaluation – 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 31/12/2019	of which land value at 31/12/2019	of which value of buildings at 31/12/2019	Amortization fund at 31/12/2019	Balance sheet value at 31/12/2019
Barberino V.E. P.za Capocchini, 21/23 - Branch	148,309	0	0	0	475,968	<b>624,277</b>	0	624,277	365,202	<b>259,075</b>
Castelfiorentino – Loc. Cambiano - Mailing address	241,945	156	12,452	4,523	182,046	<b>441,123</b>	0	441,123	412,526	<b>28,597</b>
Castelfiorentino – Via Carducci 4 - Head office – Not operative	557,166	0	0	0	0	<b>557,166</b>	0	557,166	16,715	<b>540,451</b>
Castelfiorentino – Via Carducci, 8/9 - Head office	1,591,222	0	480,305	63,974	2,409,822	<b>4,545,323</b>	1,800,000	2,745,323	2,189,761	<b>2,355,561</b>
Castelfiorentino – Via Cerbioni - Archive 1	629,911	0	0	0	227,844	<b>857,755</b>	185,000	672,755	412,382	<b>445,373</b>
Castelfiorentino – Via Cerbioni - Archive 2	497,075	0	0	0	98,101	<b>595,176</b>	150,000	445,176	217,393	<b>377,783</b>
Castelfiorentino – Via Gozzoli, 45 - Branch	1,004,113	0	0	0	1,013	<b>1,005,126</b>	250,000	755,126	350,409	<b>654,717</b>
Castelfiorentino – Via Piave, 10 - Head office – Not operative	239,743	0	0	0	0	<b>239,743</b>	0	239,743	7,192	<b>232,551</b>
Castelfiorentino – Via Piave, 6 (Garage) – Head office –Not operative	138,468	0	0	0	0	<b>138,468</b>	0	138,468	4,154	<b>134,314</b>
Castelfiorentino – Via Piave, 8 - Head office	1,392,722	10,641	179,368	42,042	1,258,394	<b>2,883,166</b>	480,000	2,403,166	2,313,946	<b>569,219</b>
Castelfiorentino – Via Veneto/Via Piave – Head office – Not operative	9,699,206	0	0	0	-70,200	<b>9,629,006</b>	755,020	8,873,985	58,297	<b>9,570,709</b>
Cerreto Guidi – Via V. Veneto, 59 - Branch	475,736	0	0	0	216,286	<b>692,022</b>	0	692,022	317,809	<b>374,213</b>
Colle Val d'Elsa – Piazza Arnolfo – Branch – Not operative	1,822,857	0	0	0	0	<b>1,822,857</b>	774,000	1,048,857	0	<b>1,822,857</b>
Empoli - Via Cappuccini, 4 – Branch	68,971	0	0	0	156,468	<b>225,439</b>	0	225,439	131,886	<b>93,553</b>
Empoli - Via Chiarugi, 4 – Branch	4,522,834	0	0	0	2,747,576	<b>7,270,410</b>	2,000,000	5,270,410	3,775,646	<b>3,494,764</b>
Firenze - Via May - Branch	1,588,533	0	0	0	0	<b>1,588,533</b>	0	1,588,533	355,937	<b>1,232,596</b>
Firenze – Viale Gramsci 34 – Head office	12,110,415	0	0	0	0	<b>12,110,415</b>	1,222,000	10,888,415	1,623,275	<b>10,487,140</b>
Fucecchio – Piazza Montanelli - Branch	4,860,940	0	0	0	0	<b>4,860,940</b>	900,000	3,960,940	841,638	<b>4,019,303</b>
Gambassi Terme – Via Garibaldi, 16 - Branch	168,367	1,033	23,241	3,352	336,003	<b>531,995</b>	0	531,995	366,393	<b>165,602</b>
Gambassi Terme – Via Volta, 19/21 – Archive 3	1,691,075	0	0	0	0	<b>1,691,075</b>	552,655	1,138,420	367,080	<b>1,323,995</b>
Greve in Chianti – Piazza Santa Croce - Branch	845,729	0	0	0	0	<b>845,729</b>	73,200	772,529	87,511	<b>758,219</b>
Montespertoli – Via Romita 105 - Branch	252,244	0	0	0	0	<b>252,244</b>	0	252,244	52,696	<b>199,548</b>
Poggibonsi – Via S. Gimignano, 24/26 – Branch	2,255,453	0	0	0	710,082	<b>2,965,535</b>	935,000	2,030,535	1,377,124	<b>1,588,410</b>
San Gimignano – Via dei Fossi - Branch – Not operative	1,364,777	0	0	0	0	<b>1,364,777</b>	1,000,000	364,777	6,326	<b>1,358,451</b>
San Miniato – Via Tosco Romagnola - Branch	271,697	0	0	0	0	<b>271,697</b>	50,193	221,504	33,258	<b>238,439</b>
<b>Total</b>	<b>48,439,509</b>	<b>11,830</b>	<b>695,366</b>	<b>113,890</b>	<b>8,749,401</b>	<b>58,009,996</b>	<b>11,127,069</b>	<b>46,882,927</b>	<b>15,684,555</b>	<b>42,325,441</b>

**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	Baker Tilly Revisa s.p.a.	37,067
B) Certification services	Baker Tilly Revisa s.p.a.	8,094
C) Tax consulting services		0
D) Other services	Baker Tilly Revisa s.p.a.	4,498
<b>Total fees</b>		<b>49,659</b>





**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,

Fiscal code and VAT code: 02599341209

**Member of the Gruppo Bancario Cambiano**

**Subject to management and coordination by Ente Cambiano scpa**