CAMBIANO BANKING GROUP

Consolidated

Financial Statements 2020

BANCA CAMBIANO 1884
SOCIETÀ PER AZIONI

Registered head office and general management: Viale Antonio Gramsci, 34 - 50132 Florence
Administrative head offices: Piazza Giovanni XXIII, 6 - 50051 Castelfiorentino (Fi)
Registered in the Bank of Italy Register of Banks at n. 5667
Share capital € 232,800,000.00 fully paid-in
Registration number in the Company Register of Florence, fiscal code and VAT code: 02599341209
Parent Company of the Cambiano Banking Group, registered at n. 238 in the Register of Banking Groups

CONSOLIDATED FINANCIAL STATEMENTS

AND REPORTS

FOR THE FISCAL YEAR 2020

Submitted to the Ordinary Shareholders' Meeting on 13 May 2021

INDEX

Notice of Shareholders' Meeting of the Parent Company

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

Official Gazette of the Republic of Italy 162nd Year – Number 46

SECOND PART **Rome – Saturday, 17 April 2021** issued on Tuesdays, Thursdays and Saturdays

BANCA CAMBIANO 1884 S.p.A

Registered at n. 5667 of the Banking Registrar
Parent Company of the Cambiano Banking Group
Registered at n. 238 of the Register of Banking Groups
Registered offices: viale Antonio Gramsci, 34 – 50132 Florence (FI), Italy
Share capital: € 232,800,000.00 fully paid-in
Register of companies: Florence 02599341209
Administrative Economic Index (R.E.A.): Florence 648868
Fiscal code: 02599341209
VAT code: 02599341209

Notice of Ordinary Shareholders' Meeting

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

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

ATTENTION
Shareholders are reminded that:
1) in accordance with article 32 of the Articles of Association and the Regulations for shareholders' meetings, members of the Board of Statutory Auditors are elected based on lists presented by groups of shareholders;
2) in accordance with article 11 of the Articles of Association and the Regulations for shareholders' meetings, a shareholder may be represented by another shareholder who is a physical person, unless the latter is a director, statutory auditor or employee of the company, pursuant to a written proxy specifying the name of the representative and if the signature of the delegating shareholder has been authenticated by the chairman, by members of the board or by a company employee authorized to do so by the Board of Directors, by a notary public or by any other public official authorized by law; the Board of Directors has given authorization to authenticate the signatures of delegating shareholders to all of General Management and all Branch Managers; the proxy to vote may also be assigned by means of an IT document undersigned electronically, in accordance with current laws in force and notified to the Company at the email address info@bancacambiano.it; every shareholder may receive no more than 15 proxies;
3) Shareholders whose shares are not deposited at the bank and who wish to attend the shareholders' meeting (also for the purpose of the complying with the provisions of the third sub-section of article 2370 of the Italian Civil Code) are required to file a document that demonstrates eligibility to attend and vote at the meeting, at the company's registered office at least two days prior to the date set for the meeting; shares may not be withdrawn before the end of the shareholder's meeting;
4) Given the current pandemic emergency, the shareholder's meeting shall take place in accordance with all the social distancing regulations set forth by the Health Authorities. For this reason, shareholders intending to attend the meeting are kindly requested to confirm participation by sending an email to the address segreteria.societaria@bancacambiano.it by 7 May 2021.

The Chairman of the Board of Directors
Paolo Regini

TX21AAA4154 (on payment).

Corporate and Supervisory Officers of the Parent Company

Corporate and Supervisory Officers

Board of Directors

Chairman	*Paolo Regini* (3)
Vice Chairman	*Enzo Anselmi*
Director	*Mauro Bagni* (1)
Director	*Giambattista Cataldi* (2) (3)
Director	*Giovanni Martelli* (2) (3)
Director	*Paolo Profeti* (1)
Director	*Giuseppe Salvi* (1)

(1) Member of the Executive Committee

(2) Independent Member

(3) Member of the Risk Committee

Board of Statutory Auditors

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

General Managers

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

Independent Auditor

Deloitte & Touche S.p.A.

Report on Consolidated Management

This report is the first prepared by the parent company Banca Cambiano. As regards the practice that sees consolidated financial statements for banking groups structured with more details as compared to the individual statements of the components of the group, our representation registers a greater distribution of the Group's financial statement records.

The growth of the Group's activities and the stratification of data over time will eventually bring us to the typical setup.

MACRO-ECONOMIC SCENARIO

The international economy

In 2020, world economy trends have been seriously affected by the health emergency that has triggered a crisis that is among the most serious of the last century. Nonetheless, the effects have been varied throughout the various macro areas.

The International Monetary Fund has estimated, for developed countries, a drop in GDP equal to 4.9%, while in emerging countries the drop is limited to 2.4%. Among the first group, the United States has managed to limit the drop in GDP to 3.5%, due to a recovery in the second half of the year. The toll on GDP in the Euro zone has been much heavier (-7.2%). Spain (-11.1%), France (-9%) and Italy (-8.9%) have registered the worse performances, while Germany has managed to contain the GDP drop to -5.4%. All countries have witnessed a significant reduction in both private consumption and investments, while inflation was equal to almost zero.

A wide use of social "safety net" systems has allowed limiting the rise in unemployment rates in the Euro zone (from 7.6% in 2019 to 8% in 2020), while this index has jumped from 3.7% to 8.1% in the USA.

Monetary policies have been extremely expansive in all countries, to contrast the depressive effect of the pandemic. Especially as regards the Euro zone, the ECB has confirmed a reference rate of zero, a negative rate on deposits equal to -0.5% and a significant and continuing provision of liquidity to the system, with a monthly flow of 20 billion euro at least until March 2020.

The Italian economy

As previously mentioned, during 2020 the Italian GDP decreased by 8.9%, principally due to the drop in internal demand. In absolute values, therefore, the pandemic has produced a cost, in terms of GDP, equal to approximately 150 billion euro. This also translates into a decrease of 30 billion euro in available income for families.

The recession has had a strong impact on the employment market, with a decrease of 435 thousand workers, most of whom term-contract workers, independent workers, young people and women. To this one must also add an increase in non-active persons of over 400 thousand units. The drop in employment has proven particularly significant in small businesses, and in those sectors that have a higher turnover rate (accommodations and restaurant services, artistic activities, sports, entertainment).

Social "safety net" systems and the various interventions in aid of the economy, through direct transfers by the Government to businesses and families, have increased the debit/GDP ratio to 155.6%.

"Core" inflation has remained along the same lines as 2109 in terms of yearly average (0.6%), while the general index for consumer prices has dropped by 0.2%, due to the reduction in energy prices.

During the year in review, the volume of financial assets for families has grown slightly as compared to 2019 (+0.6% overall), also showing highly diversified dynamics among the various components. So, while on the one hand bank deposits have increased by 10.5%, on the other hand, bonds, shares and shareholdings and common investment funds have decreased. Instead, insurance and social security savings have increased significantly (+3.6%).

The above trends were similar across other principal European countries, as testimony to a general, accentuated propensity for liquidity and, to a lesser degree, to precautionary forms of investment. In other words, uncertainty has dictated the behaviour of families and businesses, who have manifested a generalised aversion to risk.

The dynamics of bank lending have registered a strong acceleration, responding promptly to monetary stimuli on the part of the ECB and Government policies. At the end of 2020, total bank lending to the private sector increased by 4.8%. Lending to the production sector, also favoured by government backing and low interest rates, increased by 8.5% at the end of 2020. The increase in loans to families was more contained (+2.3%), especially due to the weakness of consumer credit and personal loans.

During the year the entire interest rate structure registered a decline, touching historical lows. The average rate on loans to families and non-financial businesses, at December 2020, was 2.28%, as compared to 2.49% a year before, and the spread between the average rate on loans and the average rate on deposits for families and businesses dropped to 183 basis points (10 b.p. less than the previous year).

During 2020, banks intensified de-risking activities, both through provisions made with treasury resources and through transfers of NPL. Between December 2019 and the same month in 2020, net NPL dropped from 27 to about 20.7 billion euro and the incidence on capital equity and reserves went from 7.45% to 5.94%. As compared to the maximum level reached at the end of 2015, the reduction in net NPL was equal to 76.7 billion euro.

The Tuscan economy

Data available to date show, for the first semester of 2020, a drop in GDP estimated around 12%. The partial recovery during the summer months and at the beginning of autumn only partially mitigated the GDP drop of the first part of the year. The Region’s productive sector, characterised by a solid base of SMEs and micro-businesses, as well as an important tourism sector (mostly in art cities), suffered a high degree of vulnerability in terms of the measures to contain the pandemic. The services and commercial sector, with a 14% drop in consumption, suffered the closing of 1400 businesses, with another 7000 inactive and with an extremely problematic future ahead.

The preference for liquidity manifested itself in Tuscany to an even greater measure than at a national level. Bank deposits increased by 8.8% at the end of September 2020, indeed greatly surpassing the average national increase, while the reduction in indirect deposits (-3.3% at the end of the third quarter of 2020) was greater than that observed for Italy overall (-2.2%). Nevertheless, within the scope of indirect deposits, the asset management component showed an, albeit small, growth in the Region (+1.6% at the end of the third quarter of 2020) as compared to a 0.4% reduction at a national level.

In terms of lending to the economy, Tuscany has instead proven to be less dynamic (+2% at the end of September 2020, as compared to +2.6% for Italy). In particular, the difference was greater for loans to production businesses and families (+2.7% for Tuscany, +6.4% nationally).

At a regional level, credit quality deteriorated more rapidly. Gross NPL indeed increased, as at the above date, by 6.2%, as compared to 3.8% for the entire country. The ratio of gross NPS /lending for production businesses and families in Tuscan reached 9.8%, as compared to 6.6% for Italy.

Forecasts

The prolonged duration of the pandemic has entailed downsizing GDP forecasts for Italy, from 6% to 4% in 2021 and to 3.8% in 2020. At the same time, the deficit/GDP ratio should drop from 10% in 2020 to 9.5% in 2021.

The degree of uncertainty for forecasts is nevertheless extremely high. Some optimism derives from the consolidated economic recovery registered by China and the strong recovery recorded by the American economy which, thanks to the 1,900 billion dollar tax incentive deliberated by the Biden Administration, should grow by 6.5% in 2021. As regards the European Union, the first positive effects of the Recovery Plan should manifest themselves during the last part of the year. On the other hand, it is not yet possible to forecast the final outcome of the pandemic with any kind of certainty, in terms of recovery times and mortality rates for businesses.

Aside from the “cyclical” aspects, the long period that we should hopefully leave behind us in the second half of 2021, seems to have become something more and different from a “normal” economic crisis. The very fact that the Recovery Plan focuses on issues such as the ecological and digital transitions is the signal of a structural change in the model of development. Like all epochal changes, the discontinuity that they entail in terms of the actions of economic operators is not without significant consequences or even new criticalities.

It is not easy to find an univocal definition for this type of phenomenon, that has been incubating for some time, and on which the pandemic has acted as an accelerator. Wishing to trace the coordinates, we may find them in the preference of quality as opposed to quantity in terms of consumer goods, in a consistently growing environmental sensitivity and, therefore, in a preference for environment-friendly goods and in a growing social trend that uses the Internet to communicate, in the growing preference for the use of long-lasting goods as opposed to simply owning things and, lastly, in the revaluation of boroughs and small towns as opposed to medium and large sized urban centres.

Simplifying greatly, we could perhaps speak of a new sobriety, in juxtaposition to consumerism and pauperism, as the symbol of this change.

As historians teach us, the reaction that change requires of businesses and economic operators in general has different times and uses different methods in different sectors and among different subjects.

In this scenario, the role of the banking system seems of the utmost importance, especially as regards local banks, as they have the advantage of “knowing” the economic and social fabric of the communities where they operate and with whom they share their history.

Indeed, credit support for productive restructuring and reconversion activities. in line with the changes in consumer models, must be accompanied by an assistance and consulting service aimed at enhancing and communicating the distinctive elements, especially of SME and micro-businesses, which could translate into added value and congruous profit margins.

Nearness and empathy must therefore walk hand in hand with a qualified consulting service, which will require that banks also acquire new skills, and become capable of interpreting the challenges of the change that they too must undergo.

EVOLUTION AND COMPOSITION OF THE GROUP AND OF THE CONSOLIDATION AREA

The Parent Company, to which Bank of Italy refers for supervisory purposes, carries out policy, unified management and coordination activities for the subsidiary, either directly or indirectly, and in particular, issues regulations for Group companies as regards the fulfilment of Bank of Italy requirements, in the interest of overall Group stability.

Within this framework, the strategic control of the various operational areas and management control aimed at maintaining the economic, financial and equity balance of each company and of the group as a whole is maintained, are of particular importance.

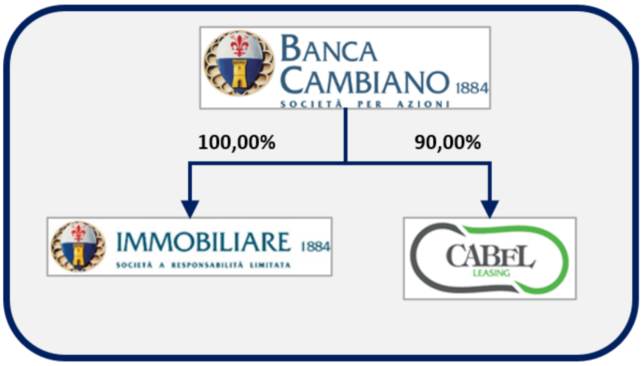
Following the application submitted to Bank of Italy on 10 February 2020, and subsequent to the authorisation received on 11 May 2020 and the amendments made to the Articles of Association during the Extraordinary Shareholders' Meetings of Ente Cambiano (8 June) and of the Bank (16 June), effective 8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

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

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

The new structure of the Cambiano Banking Group is illustrated here below.

Figure 1 – Structure of the Cambiano Banking Group



Gruppo Cambiano 1884 SpA is required to prepare consolidated financial statements in accordance with art. 38 sub-section 1) of Italian Legislative Decree 136/2015, that sets forth the obligation for "*IFRS intermediaries that control a banking, real estate brokering or financial group and that are not in turn controlled by intermediaries required to prepare consolidated financial statements pursuant to this article",* to prepare consolidated financial statements.

The Group is controlled by Ente Cambiano Scpa, but the latter is not an IFRS intermediary (defined in art. 1 of Italian Legislative Decree 136/2005 as *"the subjects indicated in article 2, sub-section 1, letter c), of Legislative Decree n. 38 dated 28 February 2005, and subsequent amendments"*) in that does not fall into any of the categories of subjects provided for by the article in question: *"c) Italian banks as per article 1 of the consolidated act of banking and credit laws as per legislative decree n. 385 dated 1 September 1993, and subsequent amendments; financial companies that are parent companies to banking groups registered in the Register as per article 64 of legislative decree n. 385 of 1993; real estate brokering companies as per article 1, sub-section 1, letter e), of legislative decree n. 58 of 1998; asset management companies as per article 1, letter o), of legislative decree n. 58 of 1998; financial companies registered in the Register as per article 107 of legislative decree n. 385 of 1993; e-money institutions as per title V-bis of legislative decree n. 385 of 1993"*. Indeed, Ente Cambiano is neither a bank, nor financial company parent company, nor a financial company registered under article 107 of the Consolidated Banking Act, nor a real estate brokering company, nor an asset management company nor an e-money institution. As the exclusion provided for under letter c) does not apply, it follows that Banca Cambiano is required to prepare the consolidated financial statements for the Cambiano Banking Group.

Below is a summary of the characteristics of the companies that make up the Cambiano Banking Group and that are consolidated with the full consolidation method.

As at 31 December 2020, the Cambiano Banking Group comprised:

Parent Company:

Banca Cambiano 1884 S.p.A., banking company;

Fully consolidated companies

1) **Cabel Leasing Spa**, financial company, registered in the Register as per art. 106 Consolidated Banking Act, controlled by Banca Cambiano 1884 Spa in the measure of 90.00%;

It has been a part of the Cambiano Banking Group since December 2017. During 2020, Bank shareholdings increased from 52% to 90%, through the purchase of 38% of the share capital from Cabel Holding Spa.

Cabel Leasing Spa carries out financial leasing activities for customers of the parent company Bank and by means of agreements with networks of financial agents or with other banks. The share capital amounts to 10 million euro, the net worth is 20,322,685 euro and balance sheet assets amount to 231 million euro, and profit for the 2020 fiscal year is 381,022 thousand euro.

2) **Immobiliare 1884 Srl**, special purpose vehicle, 100.00% controlled by Banca Cambiano 1884 Spa;

It has been a part of the Cambiano Banking Group since its incorporation, in November 2017.

Immobiliare 1884 Srl carries out real estate management activities for properties leased to the Parent Company or being restructured prior to being leased. The corporate purpose of the company is the construction, restructuring, purchase and sale, leasing and management of real estate goods and assets, as well as any kind of auxiliary and/or operational activities relative to the property and the accessory services area, also for the purpose of managing non performing loans backed by real estate property. The share capital is 10 million euro, net equity is 10,152,185 euro, balance sheet assets amount to 16,209,851 euro, and profit for the 2020 fiscal year was 227,219 euro.

GROUP MANAGEMENT TREND

The Group is characterised by the banking activity carried out by the Group that, in addition to being representative of the Parent Company, also constitutes the economic subject that provides the other companies with the resources required to carry out their activities.

This report analyses the main balance sheet and income items and the performance of subsidiaries, while as regards the overall economic context and the organisational aspects in which the Parent Company and its subsidiaries have operated, please refer to the contents of the separate financial statements of the Parent Company and of the individual companies.

The rest of the document does not provide comparisons to the 2019 fiscal year, as the year 2020 is the first in the new configuration with Banca Cambiano as Parent Company. Nevertheless, for the sole purpose of completeness of information, below are the *pro-forma* Balance Sheet and Income Statement that contain the consolidated data relative to the 2019 fiscal year compared to the data for 2020.

	BANKING GROUP PRO-FORMA CONSODLIDATED FINANCIAL STATEMENTS		
	ASSET LINE ITEMS	**31/12/2020**	**31/12/2019 (pro-forma data)**
10.	Cash and cash equivalents	13,910	14,039
20.	Financial assets measured at fair value with impact on profit and loss account	145,803	145,805
	a) financial assets held for trading	65,348	78,435
	b) financial assets measured at fair value	0	0
	c) other financial assets obligatorily measured at fair value	80,455	67,370
30.	Financial assets measured at fair value with impact on total profits	191,505	355,236
40.	Financial assets measured at amortised cost	3,539,521	3,172,337
	a) receivables from banks	377,865	163,836
	b) receivables from customers	3,161,655	3,008,501
50.	Hedges	0	0
60.	Adjustments of value of generic hedges for financial assets(+/-)	0	0
70.	Equity investments	23,993	23,693
80.	Reinsurers' share of technical reserves	0	0
90.	Property, plants and equipment	85,022	85,271
100.	Intangible assets	3,247	5,175
	of which:	0	0
	- goodwill	0	3,140
110.	Tax receivables	40,189	30,316
	a) current	15,964	6,663
	b) pre-paid	24,226	23,653
120.	Noncurrent assets and groups of assets in the course of divestment	0	0
130.	Other assets	46,689	51,743
	Total assets	**4,089,878**	**3,883,615**

	LIABILITY AND SHAREHOLDERS' EQUITY LINE ITEMS	**31/12/2020**	**31/12/2019 (pro-forma data)**
10.	Financial liabilities valued at amortised cost	3,760,873	3,563,819
	a) payables to banks	914,731	620,308
	b) payables to customers	2,699,504	2,771,372
	c) outstanding securities	146,638	172,139
20.	Financial liabilities from trading	641	313
30.	Financial liabilities measured at fair value	0	0
40.	Hedges	419	614
50.	Adjustments of value of generic hedges for financial liabilities(+/-)	0	0

60.	Tax liabilities	1,627	9,762
	a) current	1,007	7,142
	b) deferred	620	2,620
70.	Liabilities associated to assets in the course of divestment	0	0
80.	Other liabilities	118,169	111,499
90.	Employee severance pay	4,243	4,049
100.	Risk and expense funds:	2,633	2,153
	a) commitments and issued guarantees	2,450	2,096
	b) pension and similar obligations	0	0
	c) other risk and expense funds	183	57
110.	Technical reserves	0	0
120.	Valuation reserves	584	1,846
130.	Redeemable shares	0	0
140.	Capital instruments	10,000	0
150.	Reserves	-53,617	-66,949
160.	Premiums on the issue of new shares	803	803
170.	Share capital	232,800	232,800
180.	Treasury shares (-)	0	0
190.	Equity pertaining to minority interest	2,032	9,572
200.	Fiscal year profit or loss	8,670	13,333
	Total liabilities and shareholders' equity	**4,089,878**	**3,883,615**

	PROFIT AND LOSS ACCOUNT	31/12/2020	31/12/2019 (pro-forma data)
10.	Earned interest and similar income	78,242	78,006
	of which: earned interest calculated using the actual interest method	77,024	76,094
20.	Interest expenses and similar expenses	-13,283	-15,043
30.	Interest income	64,959	62,964
40.	Commission income	29,433	30,319
50.	Commission expenses	-2,789	-2,744
60.	Commission income	26,643	27,576
70.	Dividends and similar income	1,194	1,419
80.	Net trading result	2,337	2,702
90.	Net hedging result	-59	91
100.	Gains (losses) from the disposal or repurchase of:	8,974	-2,295
	a) financial assets measured at amortised cost	8,567	-2,402
	b) financial assets measured at fair value with impact on total profits	330	205
	c) financial liabilities	78	-98
110.	Net income of other financial assets and liabilities measured at fair value with recognition of income effects through profit and loss	0	0
	a) Net income of other financial assets and financial assets and liabilities measured at fair value	0	0
	b) other financial assets obligatorily measured at fair value	0	0
120.	Operating income	104,049	92,456
130.	Net adjustments/write-backs due to impairment of:	-29,355	-10,662
	a) financial assets measured at amortised cost	-29,464	-11,198
	b) financial assets measured at fair value with impact on total profits	108	536
140.	Profit/losses due to contract modifications without derecognition	47	-226
150.	Net income from financial assets	74,740	81,569
160.	Net premiums	0	0

170.	Balance of other income/expenses from insurance activities	0	0
180.	Net income from financial and insurance assets	74,740	81,569
190.	Administrative costs:	-62,692	-62,494
	a) personnel costs	-28,390	-28,101
	b) other administrative costs	-34,302	-34,394
200.	Net allocations to risk and expense funds	-480	170
	a) commitments and issued guarantees	-351	151
	b) other net allocations	-129	19
210.	Net adjustments/write-backs on property, plants and equipment	-5,430	-5,356
220.	Net adjustments/write-backs on intangible assets	-635	-312
230.	Other operating costs/income	4,337	4,857
240.	Operating costs	-64,900	-63,135
250.	Profit (loss) from equity investments	300	249
260.	Net result of fair value measurement of property, plants and equipment and intangible assets	-166	-121
270.	Adjustments to value of goodwill	-3,140	-1,684
280.	Gains (losses) from disposal of investments	7	2
290.	Gains (losses) from current operations before tax	6,842	16,880
300.	Fiscal year income tax on current operations	1,867	-3,427
310.	Gains (losses) from current operations before tax	8,708	13,452
320.	Gains (losses) from disposed assets after tax	0	0
330.	Profit (loss) for the fiscal year	8,708	13,452
340.	Profit (loss) for the fiscal year for minority interest	38	119
350.	**Parent Company profit (loss) for the fiscal year**	**8,670**	**13,333**

Ente Cambiano will continue to prepare the consolidated financial statements with respect to which it will be possible to compare the two fiscal year results.

Below are the principle line items of the Bank Group.

Direct deposits from just ordinary customers is essentially collected by Banca Cambiano 1884.

At the end of 2020, r**eceivables from customers** amounted to 3,161 million euro.

Net of lending to institutional counterparties and securities booked to HTC portfolio, lending to customers at amortised cost amounts to 2,864 million euro, as shown in the table below:

LENDING	
€/000	
Types of transactions/values	**31/12/2020**
Current accounts	431.072
Mortgage loans	1.603.234
Portfolio	7.125
Securitized mortgage loans	0
Self-securitized mortgage loans	522.599
Leasing	203.194
Other financing	54.296
Gross non-performing loans	189.137
Write-downs on non performing loans	-91.595
Overall write-downs	-54.457
Total ordinary net lending	**2.864.604**
10. Receivables from Pontormo RMBS	15.660
11. Receivables from Poste	302

12. Receivables from C.C. & G.	706
13. Receivables from C.D.P.	0
Lending to institutional counterparties	**16.668**
Total (balance sheet value)	**2,881,272**
Receivables from customers - HTC securities	**280,384**
Total balance sheet item 40.b Receivables from customers	**3,161,655**

Credit quality

Considering its business context, credit risk continues to represent the main risk component to which the group is exposed.

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

CREDIT QUALITY - VALUES AT 31/12/2020				
	Gross exposure	Overall adjustments	Net exposures	Degree of coverage
CASH CREDIT EXPOSURES				
Stage 3 - Receivables from customers - Non-performing loans	189,137	91,595	97,542	48.43%
Stage 3 - Receivables from customers - UTP	93,472	26,840	66,632	28.71%
Stage 3 - Receivables from customers - Past due	4,285	638	3,648	14.88%
Total impaired receivables	**286,894**	**119,073**	**167,822**	**41.50%**
Stage 2 - Receivables from customers	249,750	16,356	233,394	6.55%
Stage 1 - Receivables from customers	2,490,680	10,623	2,480,056	0.43%
Total in bonis receivables	**2,740,429**	**26,979**	**2,713,450**	0.98%
Total receivables from customers	**3,027,324**	**146,052**	**2,881,272**	**4.82%**
Stage 1 – Securities	280,448	64	280,384	0.02%
Total Cash credit exposures	**3.307.772**	**146.116**	**3.161.655**	**4,42%**

CREDIT QUALITY INDEXES			
	Banca Cambiano	**Cabel Leasing**	**Group**
	31/12/2020	**31/12/2020**	**31/12/2020**
% OF NET RECEIVABLES			
% Net non-performing loans on total net receivables	2.98%	6.13%	3.39%
% Net watchlist on total net receivables	2.21%	1.95%	2.31%
% Net past due accounts on total net receivables	0.09%	0.50%	0.13%
% Total net impaired receivables on total net receivables	5.29%	8.59%	5.82%
% OF GROSS RECEIVABLES			
% Gross non-performing loans on total gross receivables	5.91%	6.47%	6.25%
% Gross probable defaults on total gross receivables	3.01%	1.98%	3.09%
% Gross past due receivables on total gross receivables	0.11%	0.52%	0.14%
% Total gross impaired receivables on total gross receivables	9.02%	8.97%	9.48%
% OF HEDGES			
% hedges on non-performing loans	51.95%	5.98%	48.43%
% hedges on other impaired receivables	29.66%	2.45%	28.11%
% hedges on total impaired receivables	44.25%	5.00%	41.50%

% hedges on in bonis receivables	0.98%	0.33%	0.98%

FINANCIAL RESULTS

From an economic view point, the Group's activity was strongly affected by the health emergency resulting from the Covid-19 pandemic and by the economic consequences generated by the pandemic itself. New lending activities essentially regard loans backed by MCC and provided for in the emergency law decrees. Repayment of instalment loans and leases was influenced by the effect of the suspension of payments resulting from government initiatives and legislation.

Interest income amounts to 65 million euro, also due to the effect of the further drop in market rates.

Commission income amounts to 26.6 million euro.

Operating income is 104 million euro.

Value adjustments due to credit risk, performed prudentially taking into account the effects of Covid-19, are over 29 million euro.

Administrative costs, comprehensive of interventions to rescue competitor banks, amount to 62.6 million euro. Cost/income (calculated by relating operating costs to operating income) is equal to 62.37%.

Profit from current operations before tax is 6.8 million euro

Consolidated net profit is 8.7 million euro.

Group human resources

The table below illustrates the breakdown of human resources within the Bank Group:

BREAKDOWN OF PERSONNEL	BANCA CAMBIANO 1884			CABEL LEASING			CAMBIANO BANKING GROUP		
BREAKDOWN BY QUALIFICATION	**2020**	**2019**	**Var.**	**2020**	**2019**	**Var.**	**2020**	**2019**	**Var.**
Directors	3	3	0	1	1	0	4	4	0
Middle management	86	84	2	2	2	0	88	86	2
Professional areas	294	293	1	10	9	1	304	302	2
Traineeships	9	12	-3			0	9	12	-3
Total	**392**	**392**	**0**	**13**	**12**	**1**	**405**	**404**	**1**
BREAKDOWN BY GENDER	**2020**	**2019**	**Var.**	**2020**	**2019**	**Var.**	**2020**	**2019**	**Var.**
Women	142	135	7	7	7	0	149	142	7
Men	250	257	-7	6	5	1	256	262	-6
Total	**392**	**392**	**0**	**13**	**12**	**1**	**405**	**404**	**1**
BREAKDOWN BY DEGREE OF INSTRUCTION	**2020**	**2019**	**Var.**	**2020**	**2019**	**Var.**	**2020**	**2019**	**Var.**
University degree	181	176	5	4	3	1	185	179	6
Diploma	202	206	-4	8	8	0	210	214	-4
Other	9	10	-1	1	1	0	10	11	-1
Total	**392**	**392**	**0**	**13**	**12**	**1**	**405**	**404**	**1**
BREAKDOWN BY AGE BRACKET	**2020**	**2019**	**Var.**	**2020**	**2019**	**Var.**	**2020**	**2019**	**Var.**
Up to 25 years	14	18	-4			0	14	18	-4

BREAKDOWN OF PERSONNEL	BANCA CAMBIANO 1884			CABEL LEASING			CAMBIANO BANKING GROUP		
26 - 35 years	116	111	5	1		1	117	111	6
36 - 45 years	101	110	-9	4	4	0	105	114	-9
46 - 55 years	109	109	0	6	6	0	115	115	0
56 - 60 years	34	27	7	2	2	0	36	29	7
Older than 60 years	18	17	1			0	18	17	1
Total	**392**	**392**	**0**	**13**	**12**	**1**	**405**	**404**	**1**
BREAKDOWN BY SENIORITY	**2020**	**2019**	**Var.**	**2020**	**2019**	**Var.**	**2020**	**2019**	**Var.**
Up to 3 years	73	83	-10	1		1	74	83	-9
4 - 8 years	61	74	-13			0	61	74	-13
9 - 15 years	125	111	14	5	5	0	130	116	14
16 - 25 years	88	80	8	4	4	0	92	84	8
26 - 30 years	25	27	-2	3	3	0	28	30	-2
More than 30 years	20	17	3			0	20	17	3
Total	**392**	**392**	**0**	**13**	**12**	**1**	**405**	**404**	**1**
FUNCTIONAL DISTRIBUTION	**2020**	**2019**	**Var.**	**2020**	**2019**	**Var.**	**2020**	**2019**	**Var.**
Centre	137	131	6	13	12	1	150	143	7
Network	255	261	-6			0	255	261	-6
Total	**392**	**392**	**0**	**13**	**12**	**1**	**405**	**404**	**1**

CONSOLIDATED EQUITY AND OWN FUNDS

The table below illustrates the breakdown of the Group's consolidated equity and the principle capital adequacy indexes:

BREAKDOWN OF CONSOLIDATED EQUITY	
€/000	**31/12/2020**
Share capital	232,800
Premiums on the issue of new shares	803
(Treasury shares)	0.00
Capital instruments	10,000.00
Reserves	-53,617
Valuation reserves	584
Third-party assets	2,032
Total (excluding profit for the period)	**192,603**
Profit (loss) for the fiscal year	8,670
Total net consolidated equity	**201,273**

	31/12/2020
Net equity / Direct deposits from customers (effective)	7,11%
Net equity / Receivables from customers (effective)	7,03%
Net equity / Total assets	4,92%

Net impaired receivables / Own funds	56.05%
CET1 capital ratio – Own funds	11.59%
Total Capital Ratio – Own funds	**14.58%**

RECONCILIATION

The schedule regarding reconciliation between the line items "profit for the fiscal year" and "net equity" resulting from the Parent Company financial statements and consolidated financial statements, as required by Bank of Italy Circular n. 262, is illustrated in the tables below.

Breakdown of Group profit	Profit for the fiscal year	Third party profit for the fiscal year	Share of consolidated companies to shareholder's equity	Consolidation adjustments	Elimination of dividends	Contribution to Group profit
Banca Cambiano 1884 S.p.A.	8,100,000	0	0	0	0	8,100,000
Immobiliare 1884 S.r.l.	227,220	0	0	0	0	227,220
Cabel Leasing S.p.A.	381,022	-38,102	0	0	0	342,920
Total	**8,708,242**	**-38,102**	**0**	**0**	**0**	**8,670,140**

Breakdown of Group equity	Shareholders' equity	Elimination shareholders' equity with shareholding value	Equity pertaining to minority interest	Adjustment to shareholding consolidated to shareholders' equity	Elimination of infragroup transactions	Contribution to Group equity
Banca Cambiano 1884 S.p.A.	198,492,373	0	0	0	0	198,492,373
Immobiliare 1884 srl	10,152,186	-10,000,000	0	0	0	152,186
Cabel Leasing S.p.A.	20,322,685	-17,694,470	-2,032,268	0	0	595,947
Total	**228,967,244**	**-27,694,470**	**-2,032,268**	**0**	**0**	**199,240,506**

Research and development activities

For the Banking Group, research and development activities are mainly aimed at studying the possible application of technological innovations in relationships with customers, to improve and/or broaden the offer of products/services, to simplify internal company processes and make them more efficient, or for the purpose of regulatory compliance.

The research and development carried out is aimed at consolidating market monitoring through appropriate business initiatives, with a strong focus on innovative components and technological support, without neglecting the ongoing improvement of company risk management components and the implementation of activities aimed at regulatory compliance.

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

Risk management and control

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

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

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

The 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.

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

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

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

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

Significant events during 2020

As mentioned in other sections of this report, the event that has characterised the year 2020 has been the variation in the structure of the Cambiano Banking Group. From “component”, the Bank has become “Parent Company” and Ente Cambiano has been deleted from the supervisory functions of the group. Therefore, as of the effective date, Ente Cambiano is no longer the Parent Company of the Cambiano Banking Group. While Ente Cambiano still holds its shares of the Bank’s share capital in the same measure of 92.77%, as it is no longer the Parent Company, it is excluded from the scope of supervisory actions by Bank of Italy. The Ente nevertheless remains subject to provisions regarding supervisory requirements related to “shareholders in share capital” as provided for by art. 25 of the Consolidated Banking Act essentially regarding the honourability of exponents. The Ente Cambiano consolidated financial statements remain within the perimeter of prudential consolidation that it continues to replicate (pursuant to art. 11 CRR).

Strategic development during the fiscal year

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

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

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

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

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

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

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

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

The new plan, post-interventions, will allow the Group to reach the objectives indicated by Bank of Italy by 2022.

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

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

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

Significant events after the close of the fiscal year

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

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

In brief, the most significant events were:

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

Transactions with related parties

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

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

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

Final considerations

In conclusion to the first Report on Consolidated Management prepared in the new configuration of the Cambiano Banking Group, we express our satisfaction for the objective that has been reached, with the Bank taking on the role of Parent Company of the Cambiano Banking Group, which also comprises Cabel Leasing S.p.A. and Immobiliare 1884 S.r.l. The role of Parent Company was previously carried out by Ente Cambiano, giving rise to operational difficulties, duplications of decisions and bureaucratic burdens due to the correlation created as the result of depending from a subject whose purpose and mission were different. With this new Group configuration, the structural set up of the group is consistent with its function and is more efficient, such as to allow for appropriate operating forecasts.

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

A particular thank you to the shareholders of Ente Cambiano, who are and remain the fundamental base of the Bank Group.

And finally, special thanks to all those who, with their dedication and professional aptitude, have contributed to this positive closing of this difficult year. Our thanks essentially go out to:

- to Management of the Florence offices of Bank of Italy and to Central Management of the Supervisory Authority, for the ongoing assistance and collaboration provided;
- to the Cabel network, for the ongoing collaboration;
- The members of the Board of Statutory Auditors, for the commitment and thoroughness in executing their functions;
- To Ente Cambiano, the shareholder of reference, and to the community that it represents;

- To General Management and all employees, at every level, a fundamental resource for the Group, without whose constant commitment, reorganising the group structure and achieving year end results would not have been possible. We renew our profound acknowledgement to all Group personnel for the dedication and commitment shown even in the difficult moments created by the pandemic, that did not generate any slowdown in any of the Group's operating sectors. True participation and sense of belonging lie in the facts and are an enormous added value that does not show up among the items of the financial statements, but that is strongly felt by our customers.

Florence, 12 April 2021

The Board of Directors

Report of the Independent Auditor

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 CONSOLIDATED FINANCIAL STATEMENTS

Opinion

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

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

Basis for the opinion

We conducted the audit in conformity with the procedures specified in the audit standards (ISA Italia). Our responsibilities pursuant to the aforementioned standards are further described in the section *Responsibility of the Independent Auditors for the audit of consolidated financial statements for the fiscal year* in this report. We are independent with respect to Banca Cambiano 1884 S.p.A. (the "Bank"), in compliance with regulations and standards regarding ethical principles and independence applicable in Italian Law to audits of financial statements. It is our opinion that we have acquired sufficient and adequate evidence on which to base our opinion.

Key aspects of the audit of accounts

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

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

Description of the key aspect of the audit

As written in the section "The quality of credit" of the report on management and in the quantitative information regarding credit risk in Part E – Information on risks and relative hedging policies of the explanatory notes at 31 December 2020, the Group's impaired receivables from customers measured at amortised cost amount to a gross value of 286.9 million euro, to which value adjustments equal to 119.1 million euro are associated, with a resulting net value of 167.8 million euro.

The report on management also notes that the so-called "coverage ratio" of impaired receivables from customers measured at amortised cost at 31 December 2020 is equal to 41.5%. In particular, the aforementioned impaired receivables, classified in accordance with the IFRS 9 "Financial Instruments" international accounting standard in so-called "third stage", include non-performing loans for a net value equal to 97.5 million euro, with a 48.4% coverage ratio and probable defaults for a net value equal to 66.6 million euro, with a 28.7% coverage ratio.

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

In determining the recoverable value of impaired receivables from customers measured at amortised cost, the Group, within the scope of its valuation policies, has applied valuation procedures and methods characterized by elements of subjectivity and estimation of some variables including, mainly, forecasted cash flows, expected recovery times and the realizable value of collateral, where present, the modification of which may result in a change of the final recoverable value; this determination is based on the use of information available at the date of assessment, taking into due account the possible effects of the pandemic crisis.

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

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

Auditing procedures carried out

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

- Comprehension of internal regulations and processes established by the Group in relation to the methods for classification and determination of the recoverable value of impaired receivables from customers measured at amortised cost and classified and non-performing and probable defaults, in order to verify the conformity to the regulatory framework of reference and applicable accounting standards;
- Verification of the implementation and operational efficacy of specific key controls with reference to the aforementioned processes;
- Qualitative and trend analysis of impaired receivables from customers measured at amortised cost and classified and non-performing and probable defaults through appropriate qualitative and quantitative indicators in order to identify possible elements of interest, also in consideration of the effects of the COVID-19 pandemic;
- Verification, for a sample of selected positions, also based on the elements of interest emerging from the analysis mentioned at the above point, of the classification and evaluation of the recoverable value of impaired receivables from customers measured at amortised cost and classified and non-performing and probable defaults based on the regulatory framework of reference, the applied accounting standards and any effects deriving from the COVID-19 pandemic, also by requesting and examining written confirmation by attorneys assigned to credit recovery;
- Analysis of the events subsequent to the date of closing of the consolidated financial statements, in order to formulate considerations regarding the valuations made by the Directors;
- Verification of the completeness and conformity of the information provided by the Group in the consolidated financial statements, with respect to the requirements of applicable accounting standards and regulations, as well as by documents issued in relation to the effects of Covid-19 by national and European regulatory and supervisory bodies.

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

Description of the key aspect of the audit

As written in the section "The quality of credit" of the report on management e in the quantitative information regarding credit risk in Part E – Information on risks and relative hedging policies of the explanatory notes at 31 December 2020, the Group's in bonis receivables from customers measured at amortised cost amount to a gross value of 2,740.4 million euro, with portfolio adjustments equal to 26.9 million euro, for a resulting total net value of 2,713.4 million euro, showing a 0.98% coverage ratio. Of these, receivables from customers for in bonis loans at higher risk are essentially classified in the so-called "second stage", for 249.7 million euro with a 6.55% coverage ratio.

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

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

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

Auditing procedures carried out

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

- Analysis of the credit process, specifically including the analysis and comprehension of organizational and procedural systems implemented by the Group to guaranty monitoring of credit quality and the correct classification thereof, also for the purpose of the credit measurement, in conformity with applicable accounting standards and sector regulations; furthermore, this analysis was focused on the principle aspects outlined by the Supervisory Authority as regards the effects of the Covid-19 pandemic;
- Verification, by involving the IT experts of the Deloitte network, of the correct management and updating of archives:
- Verification of the operational efficacy of controls;
- Conduction of comparative analyses, examining the entries referred to receivables from customers for in bonis loans and the relative net value adjustments with corresponding homogenous data relative to the previous fiscal year;
- Verification, for a sample of in bonis higher risk exposures, of the correct classification based on regulatory forecasts and internal policies approved by the Group;
- Analysis of the events subsequent to the date of closing of the financial statements, in order to formulate considerations regarding the valuations made by the Directors;
- Verification of the completeness and conformity of the information provided in the consolidated financial statements, with respect to the requirements of applicable accounting standards and regulations, as well as by documents issued in relation to the effects of Covid-19 by national and European regulatory and supervisory bodies.

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

The directors are responsible for preparing the consolidated 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 Group to continue operating as a working entity and, in preparing the consolidated 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 consolidated financial statements, unless they have assessed the existence of conditions that require liquidation of the parent company Banca Cambiano 1884 S.p.A. 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 Group's financial information.

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

Our objectives are to acquire reasonable certainty that the consolidated 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 consolidated financial statements for the year.

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

- We have identified and assessed the risk of significant errors in the consolidated 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 Group'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 Group'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 Group ceasing to operate as a business unit;

- We have assessed the presentation, structure and contents of the consolidated financial statements for the fiscal year as a whole, including the information documents, and whether or not the consolidated financial statements as such faithfully represent the underlying operations and events.
- We have acquired sufficient and appropriate evidence regarding the financial information of the companies or of the different business activities carried out within the Group to allow expressing an opinion regarding the consolidated financial statements. We are responsible for the management, supervision and execution of the Group accounting audit. We are the sole persons responsible for the audit opinion regarding the consolidated financial statements.

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

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

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

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

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

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

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

REPORT ON OTHER LAW AND REGULATORY PROVISIONS

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

The Directors of Banca Cambiano 1884 S.p.A. are responsible for preparing the report on operations for Cambiano Banking Group at 31 December 2020, including its consistency with the respective consolidated 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 consolidated financial statements of Cambiano Banking Group as at 31 December 2020 and on compliance with provisions of law, and to issue a declaration regarding any significant errors.

In our opinion, the report on operations is consistent with the consolidated financial statements of Cambiano Banking Group as at 31 December 2020 and has been prepared in compliance with all provisions of law.

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

DELOITTE & TOUCHE S.p.A.

Antonio Sportillo

Partner

Florence, 28 April 2021

Schedules to the Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET

	Assets line items	31/12/2020 (*)
10	Cash and cash equivalents	13,910,153
20	Financial assets measured at fair value with impact on profit and loss account	145,802,580
	a) financial assets held for trading	*65,347,575*
	b) financial assets measured at fair value	*0*
	c) other financial assets obligatorily measured at fair value	*80,455,005*
30	Financial assets measured at fair value with impact on total profits	191,504,553
40	Financial assets measured at amortised cost	3,539,520,719
	a) receivables from banks	*377,865,274*
	b) receivables from customers	*3,161,655,444*
50	Hedges	0
60	Adjustments of value of generic hedges for financial assets(+/-)	0
70	Equity investments	23,993,207
80	Reinsurers' share of technical reserves	0
90	Property, plants and equipment	85,021,741
100	Intangible assets	3,247,098
	of which:	
	- goodwill	*0*
110	Tax receivables	40,189,441
	a) current	*15,963,641*
	b) pre-paid	*24,225,801*
120	Noncurrent assets and groups of assets in the course of divestment	0
130	Other assets	46,688,510
	Total assets	**4,089,878,002**

(*) As this is the first fiscal year for which the consolidated financial statements are prepared, in the new composition of the Cambiano Banking Group, there is no comparative information available and therefore it has been omitted.

	Liabilities and shareholders' equity line items	31/12/2020 (*)
10	Financial liabilities valued at amortised cost	3,760,873,067
	a) payables to banks	*914,731,324*
	b) payables to customers	*2,699,503,557*
	c) outstanding securities	*146,638,186*
20	Financial liabilities from trading	641,300
30	Financial liabilities measured at fair value	0
40	Hedges	418,521
50	Adjustments of value of generic hedges for financial liabilities(+/-)	0
60	Tax liabilities	1,627,154
	a) current	*1,006,668*
	b) deferred	*620,486*
70	Liabilities associated to assets in the course of divestment	0
80	Other liabilities	118,169,165
90	Employee severance pay	4,242,610
100	Risk and expense funds:	2,633,411
	a) commitments and issued guarantees	*2,450,078*
	b) pensions and similar commitments	*0*
	c) other risk and expense funds	*183,333*
110	Technical reserves	0
120	Valuation reserves	583,837
130	Redeemable shares	0
140	Capital instruments	10,000,000
150	Reserves	- 53,616,711
160	Premiums on the issue of new shares	803,240
170	Share capital	232,800,000
180	Treasury shares (-)	0
190	Equity pertaining to minority interest	2,032,269
200	Fiscal year profit or loss	8,670,139
	Total liabilities and shareholders' equity	**4,089,878,002**

(*) As this is the first fiscal year for which the consolidated financial statements are prepared, in the new composition of the Cambiano Banking Group, there is no comparative information available and therefore it has been omitted.

CONSOLIDATED INCOME STATEMENT

	Line items	31/12/2020 (*)
10.	Earned interest and similar income	78,241,773
	of which: earned interest calculated using the actual interest method	*77,024,078*
20.	Interest expenses and similar expenses	13,283,063
30	**Interest income**	**64,958,711**
40	Commission income	29,432,638
50	Commission expenses	2,789,318
60	**Commission income**	**26,643,320**
70	Dividends and similar income	1,193,964
80	Net trading result	2,337,108
90	Net hedging result	-58,950
100	Gains (losses) from the disposal or repurchase of:	8,974,492
	a) financial assets measured at amortised cost	*8,567,236*
	b) financial assets measured at fair value with impact on total profits	*329,586*
	c) financial liabilities	*77,670*
110	Net income of other financial assets and liabilities measured at fair value	0
	a) Net income of other financial assets and liabilities measured at fair value	*0*
	b) other financial assets obligatorily measured at fair value	*0*
120	**Operating income**	**104,048,644**
130	Net adjustments/write-backs due to impairment of:	-29,355,392
	a) financial assets measured at amortised cost	*-29,463,548*
	b) financial assets measured at fair value with impact on total profits	*108,156*
140	Profit/losses due to contract modifications without derecognition	46,867
150	**Net income from financial assets**	**74,740,119**
160	Net premiums	0
170	Balance of other income/expenses from insurance activities	0
180	**Net income from financial and insurance assets**	**74,740,119**
190	Administrative costs:	62,692,114
	a) personnel costs	*28,390,125*
	b) other administrative costs	*34,301,989*
200	Net allocations to risk and expense funds	480,111
	a) commitments and issued guarantees	*350,846*
	b) other net allocations	*129,264*
210	Net adjustments/write-backs on property, plants and equipment	5,429,960
220	Net adjustments/write-backs on intangible assets	634,654
230	Other operating costs/income	-4,337,271
240	**Operating costs**	**64,899,567**
250	Profit (loss) from equity investments	299,963
260	Net result of fair value measurement of property, plants and equipment and intangible assets	-165,700
270	Adjustments to value of goodwill	-3,140,342
280	Gains (losses) from disposal of investments	7,034
290	**Gains (losses) from current operations before tax**	**6,841,507**
300	Fiscal year income tax on current operations	-1,866,735
310	**Gains (losses) from current operations before tax**	**8,708,242**
320	Gains (losses) from groups of assets in course of divestment net of taxes	0
330	**Profit (loss) for the fiscal year**	**8,708,242**

	Line items	31/12/2020 (*)
340	**Profit (loss) for the fiscal year attributable to minority interests**	**38,102**
350	**Profit (loss) for the fiscal year attributable to the Parent Company**	**8,670,139**

(*)As this is the first fiscal year for which the consolidated financial statements are prepared, in the new composition of the Cambiano Banking Group, there is no comparative information available and therefore it has been omitted.

SCHEDULE OF OVERALL CONSOLIDATED PROFITABILITY

	Line items	31/12/2020 (*)
10.	**Profit (loss) for the fiscal year**	**8,708,242**
Other income components net of tax without reversal to income statement		
20.	Capital securities measured at fair value with impact on total profits	- 1,043,662
30.	Financial liabilities measured at fair value with recognition of income effects through profit and loss (variations of own creditworthiness)	0
40.	Hedges on capital securities measured at fair value with impact on total profits	0
50.	Property, plants and equipment	0
60.	Intangible assets	0
70.	Defined benefit assets	- 144,992
80.	Noncurrent assets and groups of assets in the course of divestment	0
90.	Share of valuation reserves of equity investments measured on the basis of shareholders' equity	0
Other income components net of tax with reversal to income statement		
100.	Hedging of foreign investments	0
110.	Exchange rate differences	0
120.	Hedging of cash flows	0
130.	Hedging instruments (unmeasured instruments)	0
140.	Financial assets (other than capital securities) measured at fair value with impact on total profits	- 73,885
150.	Noncurrent assets and groups of assets in the course of divestment	0
160.	Share of valuation reserves of equity investments measured on the basis of shareholders' equity	0
170.	**Total other income components net of tax**	**- 1,262,539**
180.	**Overall profitability (line items 10+170)**	**7,445,703**
190.	**Overall consolidated profitability attributable to minority interest**	**- 53,490**
200.	**Overall consolidated profitability attributable to the Parent Company**	**7,499,193**

(*) As this is the first fiscal year for which the consolidated financial statements are prepared, in the new composition of the Cambiano Banking Group, there is no comparative information available and therefore it has been omitted.

TABLE OF VARIATIONS TO CONSOLIDATED SHAREHOLDERS' EQUITY

TABLE OF VARIATIONS TO CONSOLIDATED SHAREHOLDERS' EQUITY AT 31/12/2020	Amounts as at 31/12/2019	Changes to opening balance	Amounts as at 01/01/2020	Allocation of prior fiscal year results		Fiscal year variations									Shareholders' equity at31/12/2020	Group shareholders' equity at31/12/2020	Third-party shareholders' equity at31/12/2020
							Transactions on shareholders' equity										
				Reserves	Dividends and other allocations	Variations of reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Variations to capital instruments	Derivatives on treasury shares	Stock options	Variations to ownership interests	Overall profitability for the year at 31/123/2020			
Share capital:																	
a) ordinary shares	**0**	237,600,000	**237,600,000**	0	0	0	0	0	0	0	0	0	-3,800,000		**233,800,000**	**232,800,000**	**1,000,000**
b) other shares	**0**	0	**0**	0	0	0	0	0	0	0	0	0					
Premiums on the issue of new shares	**0**	803,240	**803,240**	0	0	0	0	0	0	0	0	0	0	0	**803,240**	**803,240**	
Reserves:																	
a) from gains	**0**	-62,296,849	**-62,296,849**	13,452,264	0	0	0	0	0	0	0	0	-3,777,960		**-52,622,545**	**-53,616,711**	**994,166**
b) other	**0**	0	**0**	0	0	0	0	0	0	0	0	0					
Valuation reserves	**0**	1,846,376	**1,846,376**	0	0	0	0	0	0	0	0	0	0	-1,262,539	**583,837**	**583,837**	
Capital instruments	**0**	0	**0**	0	0	0	0	0	0	10,000,000					**10,000,000**	**10,000,000**	
Treasury shares	**0**	0	**0**	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Fiscal year profit (loss)	**0**	13,452,264	**13,452,264**	-13,452,264	0	0	0	0	0	0	0	0	0	8,708,242	**8,708,242**	**8,670,139**	**38,102**
Total shareholders' equity	**0**	**191,405,031**	**191,405,031**	**0**	**0**	**0**	**0**	**0**	**0**	**10,000,000**	**0**	**0**	**-7,577,960**	**7,445,703**	**201,272,774**	**199,240,506**	**2,032,269**
Group shareholders' equity	**0**	**191,405,031**	**181,833,033**	**0**	**0**	**0**	**0**	**0**	**0**	**10,000,000**	**0**	**0**	**-91,721**	**7,499,193**	**199,240,506**	**199,240,506**	
Third-party shareholders' equity	**0**	**0**	**9,571,998**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-7,486,240**	**-53,490**	**2,032,268**	**0**	**2,032,269**

As this is the first fiscal year for which the consolidated financial statements are prepared, in the new composition of the Cambiano Banking Group, the table of variations to consolidated shareholders' equity for the previous fiscal year has not been prepared.

CASH FLOW STATEMENT

INDIRECT METHOD	
	Amounts
	31/12/2020 (*)
A. OPERATING ASSETS	
1 Management	**45,864,414**
- Fiscal year results (+/-)	8,708,242
- Gains/losses on financial assets held for trading and on other financial assets / liabilities measured at fair value with recognition of income effects through profit and loss (+/-)	-669,629
- Gains/losses assets used for hedging (+/-)	58,950
- Net adjustments/write-backs due to impairment (+/-)	29,355,392
- Net adjustments/write-backs of property, plants and equipment and intangible assets (+/-)	6,064,614
- Net allocations to risk and expense funds and other costs/income (+/-)	480,111
- Outstanding duties, taxes and receivables (+)	1,866,735
- Net adjustments/write-backs of groups of assets being divested net of tax (+/-)	-
- Other adjustments(+/-)	-
2 Liquidity generated/absorbed by financial assets	**-242,189,027**
- Financial assets held for trading	14,278,242
- Financial assets measured at fair value	-
- Other assets obligatorily measured at fair value	-13,605,906
- Financial assets measured at fair value with impact on total profits	164,018,155
- Financial assets measured at amortised cost	-396,425,819
- Other assets	-10,453,700
3 Liquidity generated/absorbed by financial liabilities	**194,808,085.83**
- Financial liabilities valued at amortised cost	197,053,605
- Financial liabilities from trading	328,612
- Financial liabilities measured at fair value	-
- Other financial liabilities	-2,574,132
Net liquidity generated/absorbed by operating assets	**-1,516,527**
B. INVESTMENT ACTIVITIES	
1 Liquidity generated by	**-946,249**
- Sale of equity investments	-
- Dividends received from equity investments	-
- Sale of property, plants and equipment	-946,249
- Sale of intangible assets	-
- Sale of branches of business	-
2 Liquidity absorbed by	**-7,666,547**
- Purchase of equity investments	-
- Purchase of property, plants and equipment	-5,769,339
- Purchase of intangible assets	-1,897,209
- Purchase of branches of business	-
Net liquidity generated/absorbed by investment activities	**-8,612,796**
C. FUNDING ACTIVITIES	
- Issue /purchase of treasury shares	-
- Issue/purchase of capital instruments	10,000,000
- Distribution of dividends and other purposes	-
- Net liquidity generated/absorbed by funding activities	**10,000,000**
NET LIQUIDITY GENERATED/ABSORBED DURING THE FISCAL YEAR	**-129,323**

Key:
(+) generated
(-) absorbed

RECONCILIATION	
Line items of the financial statements	Amounts
	31/12/2020
Cash and cash equivalents at the beginning of the fiscal year	14,039,477
Total net liquidity generated/absorbed during the fiscal year	-129,323
Cash and cash equivalents: effects of variations of exchange rates	-
Cash and cash equivalents at the close of the fiscal year	13,910,153

(*)As this is the first fiscal year for which the consolidated financial statements are prepared, in the new composition of the Cambiano Banking Group, there is no comparative information available and therefore it has been omitted.

Consolidated Explanatory Notes

PART A – Accounting policies

A.1 - GENERAL PART

Section 1 – Statement of conformity to international accounting standards

The consolidated financial statements of the bank group were prepared in compliance with the IAS/IFRS1 international accounting principles issued by the International Accounting Standards Board (IASB) and the relative interpretations of the International Financial Reporting Interpretation Committee (IFRIC) approved by the European Commission and in force at 31 December 2020, transposed into Italian law by Legislative Decree n. 38/2005 that exercised the option provided for by EC Regulation n. 1606/2002 on the matter of international accounting standards.

The financial statements as at 31 December 2020 were prepared based on the instructions issued by Bank of Italy, exercising the faculties set forth in art. 43 of Italian Legislative Decree n. 136/2015, with Measure dated 22 December 2005 issuing Circular n. 262/05 "Banking financial statements: schedules and rules for preparation" , with subsequent updates on 18 November 2009, 21 January 2014, 22 December 2014, 15 December 2015, 22 December 2017, and 30 November 2018 and with the integrations issued on 15 December 2020. These instructions outline the obligatory schedules to the financial statements and the respective methods of preparation, as well as the contents of the Explanatory Notes.
The financial statements are composed of the balance sheet, the income statement, the schedule of overall profitability, the cash flow statement, the schedule of variations to shareholders' equity, and the explanatory notes, and are accompanied by a report on management.
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.
During 2020, the new principles, detailed in the table below, came into effect.

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

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

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

Title of the document	Date of approval	Effective as of	EU Regulation
Extension of temporary exemption from application of IFRS 9– Changes to IFRS 4	15/12/2020	01/01/2021	N. 2097/2020
Reform of indexes of reference for the determination of interest rates – stage 2: Changes to IFRS 9, to IAS 39, to IFRS 7, to IFRS 4 and to IFRS 16	13/01/2021	01/01/2021	N. 25/2021

Section 2 – General principles for preparation

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

- Going concern – The financial statements were prepared on a going concern assumption, regarding which there are no uncertainties;
- Accrual basis accounting – Revenues and expenses are booked, regardless of their monetary settlement, based on economic accrual and correlation criteria;

- Coherency in the presentation of the financial statements – The format and classification of the various items are kept the same from one financial year to the next, in order to guaranty the comparability of the information, save for changes required by an International Accounting Standard or an interpretation thereof, or even only so that another presentation or classification is deemed more appropriate in terms of relevance and reliability in the representation of the information;
- Relevance and aggregation – Each relevant class of similar items is distinctly set out in the financial statements. Items that are dissimilar in terms by nature or destination are presented separately, unless they are irrelevant;
- No compensation – Assets, liabilities, expenses and revenues are not compensated the ones with the others, unless required by an International Accounting Standard or by an interpretation or unless where expressly provided for by statement schedules for banks;
- Comparative information– as this is the first fiscal year for which the consolidated financial statements are prepared, in the new composition of the Cambiano Banking Group, there is no comparative information available and therefore it has been omitted.

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

Areas and methods of consolidation

The consolidated financial statements of the Cambiano Banking Group include the financial statements of Banca Cambiano 1884 S.p.A. and of the latter's subsidiary companies. Subsidiaries are intended as those companies in which the Parent Company, either directly or indirectly, holds more than half of the voting rights or when, albeit with a lower percent of voting rights, the Parent Company has the power to nominate the majority of directors of the company or to define the company's financial and operational policies. The assessment of the voting rights also takes into account the "potential" rights that can currently be exercised or converted into effective voting rights at any moment. Companies that are considered associates, and hence subject to considerable influence, are companies in which the Parent Company, either directly or indirectly, holds at least 20% of voting rights (including "potential" voting rights as described above) or in which – albeit with a lower percent of voting rights – it has the power to participate in determining the financial and management policies of the investee company by virtue of specific legal connections, such as participation in union agreements. Controlled equity investments are consolidated using the line-by-line method, while non-controlling interests are consolidated based on the net equity method.

Consolidation criteria

The consolidated financial statements of Banca Cambiano 1884 S.p.A. include the financial and operating results of the Parent Company and of directly and indirectly controlled companies.
The new concept of control (IFRS 10 § 6) is based on the simultaneous existence of three elements:
- The power to manage significant activities, that is, activities carried out by the investee that can affects its returns;
- Exposure to the variability of returns deriving from the activity of the investee;
- Using powers to affect returns.

Companies in which the Parent Company either directly or indirectly holds more than half the voting rights are considered controlled companies (subsidiaries). However, the concept of control is considered present when the Parent Company simultaneously has power over the investee company. There must necessarily be a correlation between powers and returns that is manifest when there are valid rights that grant the Parent Company the actual ability to managing relevant activities or affect the investee's returns in a significant manner.
Jointly controlled companies are companies in which the voting rights and control over economic activities of the investee are shared jointly by the Parent Company, directly and indirectly, and another undertaking. Moreover, an investee is considered subject to joint control when, without there being equal proportion of voting rights, control of the investee's commercial activity and strategic policies is shared with other undertakings, by virtue of contract agreements. As at 31 December 2020, there are no jointly controlled companies in Cambiano Banking Group.
Companies in which the Parent Company, either directly or indirectly, holds at least one fifth of the voting rights (including "potential" voting rights) and in which the Parent Company has the power to participate in defining financial and management policies, are considered associated companies. Companies in which - albeit with a lower percent of voting rights – the Parent Company has the power to participate in determining the financial and management policies of the investee company by virtue of specific legal connections, such as participation in union agreements are also considered associated companies.

Methods of consolidation

As a rule, controlled equity investments are consolidated on a line-by-line basis, while those subject to joint control and non-control investees over which the Group exercises considerable influence, are consolidated using the net equity method.

The reference criteria for line-by-line consolidation are the following: asset and liability items and the Income Statement are fully acquired "line-by-line";

- Payables and receivables, off-balance sheet transactions, and income and charges, and profit and loss, originating from relations between companies within the scope of the consolidation are eliminated;
- The shares of shareholders' equity and profit for the fiscal year attributable to third-party shareholders (minority interests) in the consolidated undertakings, are included in specific line items of the liabilities section of the Financial Statements and Income Statement;
- On initial consolidation, the carrying value of equity investments in fully or proportionately consolidated companies is cancelled against the shareholders' equity of the same companies (that is, of the shares in equity that the same equity investments represent).
- Any variations in the ownership interest in a subsidiary are booked as capital transactions. Any difference between the value by which equity investments are adjusted and the fair value of the consideration paid (or received) must be recognised directly as a variation to equity and adequately allocated to minority shareholders;
- On a yearly basis (or every time there are write-downs in value) the adequacy of the value of goodwill is verified (so-called impairment test), as required by IAS 36. In order to meet regulatory obligations, the cash generating unit to which goodwill is to be allocated must be identified. The amount of any write-down in value is the negative difference between the booking value of goodwill and its recovery value, determined as the greater between the fair value of the cash generating unit, net of sale expenses, and the relative value of use. The consequent value adjustments are booked to the Income statement.

The net equity method requires that:

- The book value of relevant equity investments, held by the Parent Company, or by other Group Companies, pertaining to companies consolidated using the net equity method, must be compared with the pertinent share of equity of the investees. Any excess for the book value – on first application of the consolidated financial statements – is included in the booking value of the investees. Variations to equity that occur in years subsequent to that of first application, are recognised at line item 250 of the consolidated income statements ("profits and losses of equity investments"), to the extent in which the variations in question are attributable to profits or losses of the investees, and directly to shareholders' equity for the residual amount. As regards the consolidation of equity investments in associated companies, where available, the draft financial statements as 31 December 2020 approved by the respective Boards of Directors, were used; these not being available, data from the last approved financial statements were used (generally those at 31 December 2019);
- If there is evidence that the value of a relevant shareholding may have dropped, an estimation is made of the recoverable value of the shareholding in question, taking into account the current value of future cash flows that the shareholding may generate, including the ultimate disposal of the investment. If the recovery value is less than the book value, the relative difference is recognised in the Income Statement.

Current regulations require that that two perimeters of consolidation be managed:

- Accounting consolidation perimeter disciplined by IFRS 10 "Consolidated Financial Statements", IAS 27 "Separate Financial Statements", IAS 28 "Investments in associates and joint ventures" and, where pertinent, IFRS 11 "Joint Arrangements", (all issued with EC Regulation n. 1254/2012 and effective as at 1 January 2014 and subsequent updates) and IFRS 3 "Business Combinations" (issued with EC Regulation n. 495/2009 and subsequent updates).
- Prudential consolidation perimeter disciplined by (EU) Regulation n. 575/2013 in which art. 19 provides instructions regarding the entities excluded by the scope of application of prudential consolidation.

The above regulations contribute, as mentioned, to the determination of the perimeters of consolidation and the methods by means of which the consolidation is to take place.

International accounting principles require that controlled equity investments (subsidiaries) be consolidated using the line-by-line method, while companies under joint control and non-controlled undertakings on which the Group exercises relevant influence (associates) be consolidated using the net equity method. Vigilance regulations (CRR), in aforementioned art. 19, exclude from line-by-line consolidation financial institutions and special vehicle companies that area a part of the Group, where total amount of assets and off-balance sheet items is less than the smaller of the following two amounts:

- 10 million euro;
- 1% of the total amount of assets and off-balance sheet items of the parent undertaking or the undertaking that holds participation.

As at 31 December 2020, all the companies in the Group are consolidated using the line-by-line method.

Equity investments in controlled and significant influence companies (consolidated at net equity).

Name of the company	Head offices	Type of relationship	Investor	Share percent	Percent of voting rights
Immobiliare 1884 S.p.A.	Florence	1	**Banca Cambiano 1884 S.p.A.**	100.00%	100.00%
Cabel Leasing S.p.A.	Empoli	1	**Banca Cambiano 1884 S.p.A.**	90.00%	90.00%
Cabel Holding S.p.A.	Empoli	2	**Banca Cambiano 1884 S.p.A.**	49.60%	29.60%
Cabel Industry S.p.A.	Empoli	2	**Banca Cambiano 1884 S.p.A.**	18.00%	18.00%

key
(1) Controlled
(2) Significant influence

Other information

As regards the consolidation of companies using the line-by-line method, the accounting situations prepared and approved by each individual company as at 31 December 2020 were used. Group companeis, subject to the application of national accounting principles, were required to prepare accounting schedules and data conformant to the International accounting standards applied in preparing the consolidated accounts.

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

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

Section 4 – Other aspects

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

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

Preparation of the financial statements is also based on estimations and assumptions that may have significant effects on the values registered in the income statement, as well as on the information regarding potential assets and liabilities recorded in the financial statements.

Calculating these estimations implicates the use of the information available and the application of subjective evaluations also based on acquired experience, used for the purpose of formulating reasonable assumptions regarding the relevance of management events. By their very nature, the estimations and assumptions used may vary from one period to another; therefore, it is not inconceivable that in subsequent fiscal years the values registered in the financial statements may differ even significantly, following changes in the subjective evaluations applied.

The main items for which the use of subjective evaluations on the part of the Bank is mostly required are:

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

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

Option for the consolidated financial statements

Starting from the 2017 fiscal year, Ente Cambiano exercised the option for the "national consolidated tax return", disciplined by articles 117-129 of the TUIR (Italian Tax Consolidation Act) and introduced by Legislative Decree n. 344/2003 and subsequent amendments. This is an optional taxation system, which is binding for three years, by virtue of which the subordinate member companies transfer their economic results to the controlling company, only for tax purposes, which then registers a sole taxable income or taxable loss.

The effects of the consolidated tax return are booked in the line item "Other assets - receivables from Group companies due to tax consolidation" as accounting contra-entry for line item "Current tax liabilities" for IRES (income tax) allocations made by the consolidated companies gross of withholdings and pre-paid amounts.

The line item "Other liabilities – payables to Group companies for tax consolidation" represents the accounting contra-entry of line item "Current tax receivables" for pre-paid IRES (income tax) amounts and withholdings paid by companies included in the tax consolidation, who transferred said amounts to the consolidating company.

Risks, uncertainties and effect of the Covid-19 pandemic

The modified overall macro-economic framework for the sectors has required banks, starting in the 2020 fiscal year, to update the evaluation of credit risk, which has been conditioned to an extremely significant extent by the uncertainty tied to the evolution of the Covid-19 pandemic and the related containment measures, as well as by the entity of the duration of the public support measures. The emergency has therefore forced the Bank Group to govern impacts on credit risks and the balance sheet calculations connected to said risk.

For information regarding the analyses carried out to identify the best manner of intervention on credit risk measurement and forecasting methods, please refer to the contents of Part A of the Explanatory Notes to the Banca Cambiano 1884 S.p.a. and Cabel Leasing financial statements, in that those for Immobiliare 1884 s.r.l. are not significant.

The emergency has therefore forced the Bank Group to govern impacts on credit risks and the balance sheet calculations connected to said risk. On this matter, the Parent Company carried out analyses to identify the best manner of intervention of credit risk measurement and forecasting methods, in line with the current context but avoiding excessive pro-cyclicality in the definition of collective allocations, as also indicated by Regulators (among whom, specifically, ESMA and ECB).

The Bank implemented the various measures dictated by the Italian Government (among which the suspension of repayment instalments for loans – the so-called "Covid-19 moratoria"), confirming its commitment to support both Business and Private customers and to simultaneously identify the best methods to represent the measures in question in the financial statements, in application of its accounting standards and Regulator provisions.

Some of the concepts related to the recognition, classification, measurement and derecognition criteria for "Financial assets measured at amortised cost", represented by granted loads, adopted to prepare the financial statements of the fiscal year as at 31 December 2020, which were used as reference to address the consequences of the Covid-19 pandemic are outlined following.

For the other recognition, classification, measurement, derecognition criteria relating to income components for balance sheet line items, please refer to Part A.2 of the Explanatory Notes.

In fact, the Group did not deem it necessary to intervene further on criteria for the evaluation of balance sheet line items disciplined, in particular by IFRS 16, by IAS 19 an by IFRS 2, considering the effect of the Covid-19 pandemic on such evaluations to be insignificant.

As regarding evaluations disciplined by IAS 36, please refer to the comments relating to Intangible assets with an indefinite useful life, specifically in information provided in Part B relating to impairment tests on goodwill.

Contract modifications deriving from Covid-19

1) Contract modifications and accounting derecognition (IFRS9)

The Bank Group adopted a policy that disciplines how to manage contract modifications relative to financial assets.

In accordance with EBA requirements set forth in the "Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis" dated 4 April 2020, moratoria granted to customers by law and in application of category agreements (ABI Agreements), were not considered indicators of financial difficulty for the purpose of classification of the individual exposures within the scope of forborne exposures (and consequently to the included in Stage 2).

Internal moratoria (a marginal amount on the total moratoria and equal to 1.3 million euro as at 31/12/2020), granted to customers in a specific Bank intervention, were granted on simple request by the customers and in a "standardized" manner. In this respect, it may be stated that internal moratoria had similar characteristics to those required by law and, therefore, were not granted for the purpose of assisting financial difficulties. Moreover, the Group performs continuous qualitative and quantitative analyses on the entire scope of internal moratoria, in order to verify the existence of temporary previous difficulty (looking at the last 6 months of 2019), that would have required credit risk mitigation measures, the possible classification in Stage 2 of the counterparties and the respective ECL increase.

2) Amendment to the IFRS 16 accounting principle

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

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

1) Valuation of significant increase of credit risk (SICR)

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

1) Measurement of expected losses

As regards the calculation of expected losses as at 31 December 2020, the Group incorporated the macro-economic scenarios integrating the effects of the COVID-10 health emergency, into its IFRS 9 impairment model, in line with the requirements set forth by the Supervisory Authority.
the positions subject to moratoria, along with public-back lending (in the measure of 80, 90 or 100%) provided for by emergency legislation, were analysed by the Risk Management Function, which lead to the approval of a specific ECL add-on of 8.8 million euro by the Board of Directors (comprehensive of the effects of the inclusion of forward looking components on the positions being analysed) and of 452 million euro for Cabel Leasing.
The estimation of the impact of the pandemic on the 2020 financial statements was made by simulating the “sliding” to 12 months in Stage 3 of moratoria loans and Government granted loans, both in Stage 2 in the 2020 financial statements, applying Probability of Default (PD) at 12 months, classified by sector.
The volume of write-downs thus calculated (+ 6.5 mln/€ for the Bank and + 436 thousand/€ for Cabel Leasing on moratoria loans and + 2.2 mln/€ for the Bank and + 16 thousand/€ on government backed loans) were registered as add-ons already in the write-downs of receivables at 31/12/2020.

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

1. Financial assets measured at fair value with impact on profit and loss account (FVTPL)

Classification criteria
This line item includes all financial assets other than those classified in the portfolio of financial assets measured at fair value with impact on total profits and in the portfolio of financial assets measured at amortised cost. Specifically, this line item includes:
- le financial assets held for trading, represented by debt securities, capital Securities, lending, shares of CIUs and the positive fair value of derivative contracts, purchased and held for sale in the short-term to generate revenue from trading. This category also includes capital instruments, not qualified as control, joint-control or connection and for which were not designated at fair value with impact on total profits on initial measurement;
- assets measured at fair value, such as debt Securities or lending, as defined at the moment of initial measurement, were the prerequisites required by IFRS 9 do not exist;
- other financial assets obligatorily measured at fair value, represented by debt securities, lending and shares of CIUs, that do not meet the requirements for measurement at amortised cost or at fair value with impact on total profits. These are, substantially, financial assets with contract terms that do not allow passing the so-called “SPPI test” or that are not held within the framework of a “Held to Collect” or “Held to Collect and Sell” business model.

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

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

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

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

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

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

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

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

Measurement criteria
Subsequent to initial recognition, assets classified at fair value with impact on total profits continue to be measured at fair value. For capital securities not listed on active markets and included in this category, the cost criterion is used to estimate the fair value only residually and limited to a small number of circumstances.

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

Criteria for recognition of income components

As regards debt securities, gains/losses are recognised in shareholders' equity reserves until the financial asset is derecognised, save for the effects of impairment and any exchange rate effect, which are recognised in the income statement. On disposal, the cumulative gains or losses are recognised in the income statement under item 100 "Gains/losses from disposal or repurchase". Loss in value is booked at line item 130 of the income statement "Net adjustments/write-backs due to impairment". Increases in value due to the passage of time are booked in the income statement as earned interest. Capital instruments for which the option to classify in this category has been exercised, are recognised at fair value (or, residually, at cost if the fair value cannot be calculated) and the amounts booked as a contra-entry for shareholders' equity will not be transferred to the income statement, even if they are sold. As provided for by IFRS 9, the only component connected to these instruments that is recognised in the income statement is represented by the respective dividends.

3. Financial assets measured at amortised cost

Classification criteria

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

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

Based on the general rules set out in IFRS 9 regarding the reclassification of financial assets reclassification to other categories of financial assets is permitted only if the entity changes its business model for management of financial assets. In such cases, which are expected to be highly infrequent, financial assets may be reclassified from the category of financial assets measured at amortised cost to one of the other two categories provided for by IFRS 9, "Financial assets measured at fair value with impact on total profits" or "Financial assets measured at fair value with recognition of income effects through profit and loss". The carrying amount is represented by the fair value at the reclassification date and the effects of the reclassification shall be prospective starting from the reclassification date. Gains and losses resulting from the difference between the amortised cost of the financial asset and the respective fair value are recognised in the income statement in case of reclassification to "Financial assets measured at fair value with recognition of income effects through profit and loss" and in Shareholders' equity, in the specific revaluation reserve, in case of reclassification to "Financial assets measured at fair value with impact on total profits". For more information regarding financial asset classification criteria, please consult the next section, "Financial asset classification criteria".

Recognition criteria

Financial assets are initially recognised at the date of settlement as regards debt securities and at the date of disbursement as regarding loans. On initial recognition, assets are booked at fair value, comprehensive of transaction costs or income directly attributable to the instrument itself.

Measurement criteria

Subsequent to initial recognition, these assets are measured at amortised cost using the effective interest rate method. Thus, the asset is recognised in the balance sheet for an amount equal to the initial value of recognition less repayment of principal, plus or minus cumulative amortisation (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 amortised cost method is not used for short-term assets measured at historic cost where discounting is deemed to have a negligible effect, for those with a fixed payment date and for those that are repayable on demand. Measurement criteria are closely connected to the inclusion of the instruments in question in one of the three credit risk stages provided for by IFRS 9, the last of which (stage 3) comprises impaired financial assets, while the first two (stages 1 and 2) comprise performing financial assets. As regards the booking of the aforementioned measurement effects, the value adjustments related to this type of asset are booked to the income statement:
- on initial recognition, for an amount equal to the expected loss at twelve months;

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

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

residual participation, measured by exposure to changes in value of the transferred assets and to the variations of asset cash flows.

Recognition of income components

As regards instruments measured at amortised cost (receivables from banks and receivables from customers), interest is calculated using the effective interest rate, that is, the rate that exactly discounts cash flows during the expected life of the instrument (IRR rate).
The IRR, and therefore the amortised cost, are determined taking into consideration any discounts or premiums on purchase, costs or fees that are an integral part of the amortised cost.
Interest on impaired receivables are calculated on the net exposure of the Expected Credit Losses.
Value adjustments or write-backs, deriving from the Expected Credit Losses model that has been adopted, are booked in the income statement at line item "Net adjustments/write-backs due to impairment".
Any amounts deriving from adjustments made to book values for financial assets so as to reflect the modifications made to contract cash flows that do not result in booking derecognition, are booked in the income statement within the item "Profits/losses due to contract modifications without derecognition".

4. Hedges

The Group avails itself of the faculty, provided for on introduction of the IFRS 9 accounting principle, to continue to fully apply the provisions of the IAS 39 accounting principle regarding hedge accounting for all types of hedging transactions.

Classification criteria

Risk hedging transactions are aimed at neutralizing potential losses, attributed to a given risk and measured on a given element or group of elements, where the particular risk in question should manifest itself. The following types of hedging transactions are used:
- fair value hedging aims to hedge exposure to changes in the fair value of assets and liabilities entered on the balance sheet, or quotas thereof, as permitted by IAS 39 and approved by the European Commission. General hedging of fair value ("macro hedge") aims to reduce fluctuations, in the fair value, attributable to interest rate risks, of a monetary amount, deriving from a portfolio of financial assets or liabilities;
- cash flow hedging aims to hedge exposure to variations in future cash flow attributable to specific risks associated to balance sheet items;
- currency investment hedging refers to hedging foreign currency exposure of investments in foreign enterprises.

Recognition criteria

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

Measurement criteria

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

5. Equity investments

Classification criteria
Shareholdings that entail control, joint control or significant influence 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 investor company 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 undertakings.

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

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

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

Criteria for recognition of income components
Dividends paid by the subsidiary and generated subsequent to the purchase date are allocated to line item 250 of the income statement, "Profit/loss from equity investments". The result of the measurement of "shareholders' equity" are recognised in line item 250 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 120 "Valuation reserves". Profit or loss deriving from the sale of equity investments are recognised in line item 250 of the income statement, "Profit/loss from equity investments".

6. Property, plants and equipment

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

Measurement criteria
After initial recognition, property, plant and equipment are recognised in the financial statements at cost net of accumulated depreciation and losses of value. Property, plants and equipment are systematically depreciated in every fiscal year based on their useful life, using the straight-line method. The following categories are not subject to depreciation:
- Land, be it purchased separately or incorporated in the value of buildings, in that considered assets with an indefinite useful life. If the value of the land is incorporated in the value of the buildings, it is considered an asset separable from the real properly; the value of the land is separated from the value of the buildings, determined on the basis of specific independent expert appraisals only for "from the earth to the sky" buildings;
- Art work, which has an indefinite useful life and a value that is generally destined to increase over time.

The depreciation process begins when the asset becomes available for use.

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

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

7. Intangible assets

Classification criteria
Intangible assets include non-monetary assets without physical substances held to be used for a multi-year or indefinite amount of time, which meet the following characteristics:
- Identifiable;
- Under control of the company;
- Capable of generating probable future economic benefits for the company;
- The cost of the asset may be measured reliably.

In absence of one of the aforementioned characteristics, the cost to purchase or generate the same internally is registered as a cost in the fiscal year in which it was sustained. Intangible assets include, in particular, application software for multi-year use and other identifiable assets that arise from legal or contractual rights. Expenses for improvements to third party assets (branch offices being rented) were recognised in Asset line item 120 “Other assets”; the relative amortisation was proportional to the duration of the leases. Within the scope of a company merger, the IFRS3 principle establishes that at the date of purchase of the control, the purchaser must classify or designate the purchased intangible assets. As regards the definition of intangible elements, the principle identifies intangible elements purchased in company merger as identifiable non-monetary assets with no physical substance. Goodwill is represented by the positive difference between the purchase cost and the fair value of assets and liabilities acquired within the scope of the company merger.

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

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

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

Criteria for recognition of income components

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

8. Other assets

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

9. Noncurrent 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 amortisation, 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 Group calculates current, deferred and pre-paid income tax based on current tax rates, and taxes are recognised in the income statement, with the exception of taxes relative to line items credited or charged directly to shareholders’ equity. Provisions for incomes taxes are calculated based on forecasts of current, pre-paid and deferred tax charges. Pre-paid and deferred taxes are calculated based on the momentary differences and without time limits between the value attributed to an asset or liability according to civilistic criteria and the corresponding values taken for tax purposes. Pre-paid tax assets are booked to the balance sheet to the extent in which there is a possibility of recovery, measured on the basis of the capacity of the company involved or of the controlling company to continue to generate taxable income in future fiscal years, taking into account the effect of the exercising of the option regarding “national tax consolidation”. Deferred tax liabilities are booked in the balance sheet in that the available taxed reserves are such that it may reasonably be held that transactions that require their taxation will not take place Pre-paid and deferred tax assets are recorded in the balance sheet, without offsets, respectively as “Tax receivables” and “Tax liabilities. Assets and liabilities booked for pre-paid and deferred taxes are systematically measured to take into account possible modifications in tax legislation or rates.

11. Risk and expense funds

Risk and expense funds for commitments and issued guarantees

This sub-item includes provisions for commitments to disburse funds and issued guarantees that fall within the perimeter of application of impairment regulations pursuant to IFRS 9. For these cases, le same allocations methods are adopted for the various credit risk stages and calculation of losses as already described in reference to financial assets measured at amortised cost or at fair value with impact on overall profitability. This aggregate also includes risk and expense funds for other types of commitments and issued guarantees which, due to their unique nature, do not fall within the scope of application of impairment according to IFRS 9.

Other risk and expense funds

Provisions regarding legal obligations or obligations connected to work relationships or controversies, including tax claims, originating from a past event and for which the use of economic resources to fulfil the obligations themselves is probable, provided that it is possible to obtain a reliable estimation of the relative amount. Consequently, the recognition of a provision occurs only if:

- there is a current obligation (legal or implicit) resulting from a past event;
- it is probable that, in order to fulfil the obligation, it will be necessary to use resources to produce economic benefits;
- a reliable estimation can be made of the amount deriving from fulfilment of the obligation.

The amount registered as provision represents the best possible estimate of the resources required to settle the existing obligation as at the date of reference of the financial statements and reflects the risks and uncertainties that inevitably characterize a plurality of facts and circumstances. The provision is reversed when the use of resources to produce economic benefits required to fulfil the obligation becomes improbable or when the obligation is extinguished. The line item also comprises long-term benefits to employees, that are determined using the same actuarial criteria as those used for severance funds. Actuarial gains and losses are all immediately recognised in the income statement.

12. Financial liabilities valued at amortised cost

Classification criteria
Payables to banks, payables to customers, outstanding securities and other financial liabilities include the various forms of interbank and customer funding, repurchase transactions with obligation to repurchase at term, certificates of deposit, bond securities and other outstanding deposits, net of repurchases, are included in this line item. The item also comprises payables booked by the company as lessee within the scope of financial lease agreements.

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

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

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

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

13. Financial liabilities from trading

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

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

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

14. Financial liabilities measured at fair value

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

15. Transactions in foreign currency

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

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

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

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

Other information

Treasury shares

Any treasury shares of the Parent Company 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 amortised for a period no longer than the duration of the lease agreement.

Employee severance pay

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

Issue of Additional Tier 1

As indicated in the section regarding “capital adequacy and regulatory ratios” of the Report on Management, during the months of November and December 2020, Banca Cambiano issued Additional Tier 1 instruments for the amount of 10 million euro. Specifically, these were subordinate instruments classified in Additional Tier 1 capital, pursuant to Regulation n. 575 of 2013 (CRR).
For details regarding this type of transaction, please refer to Part A of the explanatory notes of the Parent Company.

Income Statement

Revenues are measured at fair value of the amount received or due and are recognised when future benefits are likely to be received and such benefits may be reliably measured.
Expenses are recognised when incurred. Expenses that cannot be associated with revenue are immediately recognised in the income statement. Specifically:

- Revenues and expenses directly related to financial instruments measured at amortised cost and determinable from the start, regardless of when they are settled, flow to the income statement by applying the effective interest rate;
- Dividends are recognised in the income statement when they are received;
- Revenues deriving from dealing in trading instruments, representing the difference between the transaction price and the fair value of the instrument, are recognised in the income statement when the transaction is recorded if fair value can be determined with reference to parameters or recent transactions observed on the same market on which the instrument is traded;
- Other fees are recognised on an accruals basis.

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

Classification criteria for financial assets
Classification of financial assets in the three categories provided for by the accounting principle depends on two classification criteria: the business model based on which the financial instruments are managed and the contractual characteristics of the cash flows deriving from the financial assets in question (or SPPI Test). The classification of a financial asset is the result of the combination of the two aforementioned criteria, as illustrated here following:
- Financial assets measured at amortised 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 amortised cost or at FLINE ITEMS, in addition to the business model analysis, the contractual terms of the asset in question must provide for payment of principal and interest only, at fixed dates, (“solely payment of principal and interest” - SPPI). This analysis must especially be carried out for loans and debt securities. The SPPI test must be carried out on each and every financial instrument, at the moment of registration in the balance sheet. Subsequent to initial recognition, and for as long as the asset is recorded in the balance sheet, it will no longer be subject to further analysis for the purpose of the SPPI test. If a financial instrument is derecognised and a new financial instrument is recognised, the SPPI test must be carried out on the new asset. For the purpose of application of the SPPI test, the IFRS 9 accounting principles provides the following definitions:
- Principal: is the fair value of the financial asset at initial recognition. This value may change during the life of the financial instrument, for example, due to reimbursement of part of the principal;
- Interest: is the consideration for the time value of money and for the credit risk associated to the existing principal in a given period of time. This may also include remuneration for other basic risks and expenses associated to the asset and with a profit margin.

In terms of evaluating whether contractual flows from a financial asset may be defined as SPPI, IFRS 9 refers to the general concept of “basic lending arrangement”, that is separate from the legal form of the asset. When the clauses of the arrangement introduce exposure to risks or volatility of contractual cash flows that are outside the definition of basic lending arrangement, such as, for example, exposure to variations in prices of shares or goods, the contractual cash flows in review do not meet the definition of SPPI. The application of the classification criterion based on contractual cash flows sometimes requires a subjective judgment and, therefore, the definition of internal policies for application of the criteria. If the time value of money is modified – for example, when the interest rate for the financial asset is periodically recalculated, but the frequency of the recalculation or the frequency of payment of the coupons does not reflect the nature of the interest rate (for example, the interest rate is reviewed on a monthly basis based on an annual rate) or when the interest rate is recalculated periodically based on an average of specific short or long-to-medium term rates, the company must evaluated, both quantitatively and qualitatively, if the contractual cash flows still fulfil the requirements of SPPI (benchmark cash flows test). If the outcome of this test shows that the cash flows (not discounted) are “significantly different” from the cash flows (also not discounted) of a benchmark instrument (that is without modification of the time value), the cash flows in question cannot be considered as compliant to SPPI criteria. For the purpose of the SPPI test, as regards debt securities operations, the Group uses external info-provider services. This choice means that, on one hand, front office securities traders can obtain an immediate outcome for execution of the test, which also entails less paperwork during purchasing, and on the other hand it means that the same market benchmarks are shared by multiple traders and auditing companies. Vice versa, as regards the execution of the SPPI test for loan arrangements, a proprietary tool has been developed, based on an methodology developed internally by decision tree.

Business model

As regards the business model, IFRS 9 identifies three types of business model based on the method used to manage cash flows and sales of financial instruments:

- Hold to Collect (HTC): This is a business model whose objective is to hold assets in the related asset portfolios in order collect contractual cash flows. Including an asset portfolio in this business model does not necessarily mean it is impossible to sell the instruments, although it is necessary to take into consideration the frequency, entity of value, reasons for the sale and expectations regarding future sales;
- Hold to Collect and Sell (HTCS): this is a mixed business model, whose objective is to both collect the contractual cash flows and sell the financial asset, where the sale of the asset in an integral part of the strategy. Both activities (collection of cash flows and sale of the asset are indispensible for the purpose of reaching the objective of the business model. Therefore, sales are more frequent and volumes more significant with respect to the HTC business model HTC and are an integral part of the business strategies;
- Others/Trading: this is a residual category that includes both financial assets held for trading and financial assets managed through a business model that does not meet the qualifying criteria for the aforementioned models (HTC and HTCS). Generally speaking, this classification applies to financial asset portfolios that are managed and performance evaluated on a fair value basis.

Method of calculation of amortised cost

The amortised cost of a financial asset or liability is the value measured for initial recognition, net of principal repayments, plus or minus overall amortisation, 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 amortisation schedule and the effective rate of return over the entire useful life of the financial instrument, that is up to maturity, are recalculated. Amortised cost is applied is applied to receivables, financial assets held to maturity, those available for sale, liabilities and outstanding securities. Financial assets and liabilities traded at market conditions are initially recognised at fair value, which usually corresponds to the amount paid or disbursed, comprehensive of transactions costs and commissions directly attributable to the asset or liability. Transactions costs include internal marginal costs and revenues attributed at the moment of initial recognition of the instrument and recoverable from customers. These accessory components, which must be attributed to an individual asset or liability, impact the effective performance and modify the effective interest rate with respect to the contractual interest rate.

Classification criteria for financial assets

Classification of financial assets in the three categories outlined by the accounting principle depends on two classification criteria: the business model with which the financial instruments are managed and the contractual characteristics of the financial flows of the financial assets (or SPPI Test). The classification of financial assets is the result of the combined application of the two aforementioned criteria, as follows:

Financial assets measured at amortised cost: assets that pass the SPPI and fall under the HTC business model;

Financial assets measured at fair value with impact on total profits (FVOCI): assets that pass the SPPI test and fall under the HTCS business model;

Financial assets measured at fair value with impact on profit and loss account (FVTPL): is a residual category that comprises financial instruments that cannot be classified in either of the previous categories based on the outcome of the business model test or the test on the characteristics of the contract flow (SPPI test not passed).
In order for a financial asset to be classified at amortised cost or at FVOCI, in addition to the business model analysis, the contractual terms of the asset in question must entail, at specific dates, financial flows represented solely by payments of principal and interest on the amount of the principal to be repaid ("solely payment of principal and interest" - SPPI). Specifically, this analysis must be performed for loans and debt securities. The SPPI test must be conducted on every single financial instrument, at the moment that it is booked to the balance sheet. Subsequent to initial booking, and for as long as it is recognised in the balance sheet, the asset is no longer subject to new measurement for the purpose of the SPPI test.
If a financial instrument is derecognised (accounting derecognition) and a new financial asset recognised, the SPPI test must be conducted on the new asset. For the purpose of the application of the SPPI test, IFRS 9 provides the following definitions:
- Principal: is the fair value of the financial asset at initial recognition. This value may change during the life of the financial instrument, for example, due to reimbursement of part of the principal;
- Interest: is the consideration for the time value of money and for the credit risk associated to the existing principal in a given period of time. This may also include remuneration for other basic risks and expenses associated to the asset and with a profit margin.
In terms of evaluating whether contractual flows from a financial asset may be defined as SPPI, IFRS 9 refers to the general concept of "basic lending arrangement", that is separate from the legal form of the asset. When the clauses of the arrangement introduce exposure to risks or volatility of contractual cash flows that are outside the definition of basic lending arrangement, such as, for example, exposure to variations in prices of shares or goods, the contractual cash flows in review do not meet the definition of SPPI. The application of the classification criterion based on contractual cash flows sometimes requires a subjective judgment and, therefore, the definition of internal policies for application of the criteria. If the time value of money is modified – for example, when the interest rate for the financial asset is periodically recalculated, but the frequency of the recalculation or the frequency of payment of the coupons does not reflect the nature of the interest rate (for example, the interest rate is reviewed on a monthly basis based on an annual rate) or when the interest rate is recalculated periodically based on an average of specific short or long-to-medium term rates, the company must evaluated, both quantitatively and qualitatively, if the contractual cash flows still fulfil the requirements of SPPI (benchmark cash flows test). If the outcome of this test shows that the cash flows (not discounted) are "significantly different" from the cash flows (also not discounted) of a benchmark instrument (that is without modification of the time value), the cash flows in question cannot be considered as compliant to SPPI criteria. For the purpose of the SPPI test, as regards debt securities operations, Gruppo Ente Cambiano uses external info-provider services. This choice means that, on one hand, front office securities traders can obtain an immediate outcome for execution of the test, which also entails less paperwork during purchasing, and on the other hand it means that the same market benchmarks are shared by multiple traders and auditing companies. Vice versa, as regards the execution of the SPPI test for loan arrangements, a proprietary tool has been developed, based on an methodology developed internally by decision tree.

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 amortisation 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 amortisation (relative to the right of use). As regards the profit and loss account, considering the entire duration of the contracts, the economic impact does not change the timeline for the lease, applying either previous IAS 17, or IFRS 16, but manifests itself with a different spread over time.

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

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

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

- in terms of initial recognition: booking of the tax credit at the moment of purchase for a value that corresponds to its fair value;
- in terms of subsequent measurement: application of the provisions of IFRS 9 relative to the Hold To Collect business model, that require measurement at amortised cost. If the transferee intends to adopt an operational management typical of the Hold To Collect and Sell business model for these credits, or to hold them for other purposes (for example, trading), as defined in IFRS 9, the credits should be measured at fair value with contra-entry, respectively in the schedule of overall profitability or in the income statement.
-

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

Information regarding the goodwill impairment test – Information required by Bank of Italy, Consob, Isvap joint document n. 4 del 03/03/2010.

Introduction.
As regards the booking of corporate merger operations, the IFRS 3 accounting principles requires registering new intangible assets and measuring goodwill that may result from the operation in question. As provided for by IAS 36, the value of assets measured following the merger that are characterized by an indefinite useful life, including goodwill, cannot be amortised 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 IFRS3:

- transfer, pursuant to Legislative Decree n. 18/2016 (amended and converted into Law n. 49/2016), of the bank business of former BCC 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 Cambiano is in substance the purchasing party), the goodwill (equal to 3,140,342) euro, refers to the valuation of former Banca A.G.C.I., with two territorial units in the cities of Bologna and Rome.

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

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

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

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

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

CASH GENERATING UNIT		BOOK VALUE BEFORE THE IMPAIRMENT TEST
Branches purchased within the scope of the way out operation	Bologna branch	1,772,342
	Roma branch	1,368,000
TOTAL		**3,140,342**

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

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

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

Results of the impairment test.

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

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

A.3 – INFORMATION ON FINANCIAL ASSET TRANSFERS BETWEEN PORTFOLIOS

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

Within the Group, the only change of business model occurred in Banca Cambiano 1884 S.p.A.; therefore, for detailed information please refer to the respective section in the individual financial statements of Banca Cambiano 1884 S.p.A.

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

Within the Group, the only change of business model occurred in Banca Cambiano 1884 S.p.A.; therefore, for detailed information please refer to the respective section in the individual financial statements of Banca Cambiano 1884 S.p.A.

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

Within the Group, the only change of business model occurred in Banca Cambiano 1884 S.p.A.; therefore, for detailed information please refer to the respective section in the individual financial statements of Banca Cambiano 1884 S.p.A.

A.4 – Information on fair value

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

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

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

- Bilateral and high-frequency exchange of collateral (daily or, at most, mid-week);
- Type of guaranty represented by cash or government bonds with high liquidity and credit quality, subject to an adequate safety margin;
- Absence of a threshold for the fair value of the derivative below which no exchange of guaranty is provided for, or setting of this threshold at a level that allows for an effective and significant mitigation of counterparty risk;

- MTA - Minimum Transfer Amount (that is, the difference between the contract fair value and the value of the guaranty) – below which collateralization of positions is not adjusted, identified by contract at a level that allows for substantial mitigation of counterparty risk.

Hedges already existing at the date of the financial statements were all collateralized.

A.4.2 Measurement process and sensitivity

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

A.4.3 Hierarchy of fair value

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

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

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

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

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

A.4.4 Other information

There is no other information to be provided.

A.4.5 Hierarchy of fair Value

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

Financial assets/liabilities measured at fair value	31/12/2020		
	Level 1	Level 2	Level 3
1. Financial assets measured at fair value with impact on profit and loss account	47,711	0	93,921
a) financial assets held for trading	*46,385*	*0*	*18,962*
b) financial assets measured at fair value	*0*	*0*	*0*
c) financial assets obligatorily measured at fair value	*1,325*	*0*	*74,959*
2. Financial assets measured at fair value with impact on total profits	173,030	0	18,472
3. Hedges	0	0	0
4. Property, plants and equipment	0	0	0
5. Intangible assets	0	0	0
Total	**220,741**	**0**	**112,393**
1. Financial liabilities held for trading	0	0	641
2. Financial liabilities measured at fair value	0	0	0
3. Hedges	0	0	419
Total	0	0	1,060

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 assets measured at fair value on a recurring basis (level 3)

	Financial assets measured at fair value with impact on profit and loss account			Financial assets measured at fair value with impact on total profits	Hedges	Property, plants and equipment	Intangible assets
	of which: a) financial assets held for trading	of which: b) financial assets measured at fair value	of which: c) financial assets obligatorily measured at fair value				

	Financial assets measured at fair value with impact on profit and loss account			Financial assets measured at fair value with impact on total profits	Hedges	Property, plants and equipment	Intangible assets
	of which: a) financial assets held for trading	of which: b) financial assets measured at fair value	of which: c) financial assets obligatorily measured at fair value				
1. Initial value	**32,769**	**0**	**66,530**	**10,032**	**0**	**3,379**	**0**
2. Additions							
2.1. Purchases	7,342	0	**25,139**	10,002	0	0	0
2.2. Revenues allocated to:			**0**			0	0
2.2.1. Profit and loss account	1,327	0	**184**	0	0	0	0
- of which gains	900	0	**184**	0	0	0	0
2.2.2. Shareholders' equity	X	X	X	9	0	0	0
2.3. Transfers from other levels	0	0	**0**	0	0	0	0
2.4. Other additions	0	0	**31**	0	0	0	0
3. Reductions			**0**			0	0
3.1. Sales	22,422	0	**12,279**	0	0	0	0
3.2. Redemptions	0	0	**0**	0	0	0	0
3.3. Losses allocated to:			**0**			0	0
3.3.1. Profit and loss account	50	0	**457**	0	0	166	0
- of which losses	5	0	**395**	0	0	166	0
3.3.2. Shareholders' equity	X	X	X	1,569	0	0	0
3.4. Transfers to other levels	0	0	**0**	0	0	0	0
3.5. Other reductions	3	0	**17**	0	0	0	0
4. Final values	**18,962**	**0**	**79,130**	**18,474**	**0**	3,213	0

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

	Financial liabilities held for trading	Financial liabilities measured at fair value	Hedges
1. Initial value	**313**	**0**	**614**
2. Additions			
2.1. Issues	476	0	0
2.2. Losses allocated to:			
2.2.1. Profit and loss account	165	0	59
- of which losses	0	0	0
2.2.2. Shareholders' equity	X	X	0
2.3. Transfers from other levels	0	0	0
2.4. Other additions	0	0	49
3. Reductions			
3.1. Redemptions	313	0	34
3.2. Repurchases	0	0	0
3.3. Losses allocated to:			
3.3.1. Profit and loss account	0	0	269
- of which gains	0	0	269
3.3.2. Shareholders' equity	X	X	0
3.4. Transfers to other levels	0	0	0
3.5. Other reductions	0	0	0
4. Final values	**641**	**0**	**419**

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

Items	31/12/2020			
	BV	L1	L2	L3
1. Financial assets measured at amortised cost	3,539,521	292,162	0	3,247,359
2. Property, plants and equipment held as investments	15	0	0	15
3. Noncurrent assets and groups of assets in the course of divestment	0	0	0	0

Items	31/12/2020			
	BV	L1	L2	L3
Total	**3,539,536**	**292,162**	**0**	**3,247,374**
1. Financial liabilities valued at amortised cost	3,760,873	0	0	3,909,897
2. Liabilities associated to assets in the course of divestment	0	0	0	0
Total	**3,760,873**	**0**	**0**	**3,909,897**

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

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

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

PART B – Information on the balance sheet

ASSETS

Section 1 - Cash and cash equivalents - Line item 10

1.1 Cash and cash equivalents: breakdown

Line items	Total 31/12/2020
a) Cash and cash equivalents	13.910
b) Demand deposits with Central banks	0
Total	**13.910**

Notes
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 amortised cost a) receivables from banks".

Section 2 - Financial assets measured at fair value with impact on profit and loss account - Line item 20

1.2 Financial assets held for trading: breakdown by type

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

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

Line items/values	Total 31/12/2020
A. CASH ASSETS	
1. Debt securities	0
a) Central banks	0
b) Public administrations	0
c) Banks	0
d) Other financial companies	0
of which: insurance companies	*0*
e) Non finance companies	0
2 Capital securities	0

Line items/values	Total 31/12/2020
a) Banks	0
b) Other financial companies	0
of which: insurance companies	*0*
c) Financial companies	0
d) Other issuers	0
3 Shares in mutual funds	**64,533**
4 Loans	0
a) Central banks	0
b) Public administrations	0
c) Banks	0
d) Other financial companies	0
of which: insurance companies	*0*
e) Non finance companies	0
f) Families	0
Total (A)	**64,533**
B DERIVATIVE INSTRUMENTS	
a) Central counterparties	0
b) Other	815
Total (B)	**815**
Total (A+B)	**65,348**

2.3 Financial assets measured at fair value: breakdown by type

Line items/values	Total 31/12/2020		
	Level 1	Level 2	Level 3
A. Cash assets			
1 Debt securities	0	0	0
1.1 Structured securities	0	0	0
1.2 Other debt securities	0	0	0
2 Loans	0	0	0
2.1 Structured	0	0	0
2.2 Other	0	0	0
Total	0	0	0

2.4 Financial assets measured at fair value: breakdown by borrower/issuer/counterparty

Line items/values	Total 31/12/2020
A. CASH ASSETS	
1. Debt securities	0
a) Central banks	0
b) Public administrations	0
c) Banks	0
d) Other financial companies	0
of which: insurance companies	*0*
e) Non finance companies	0
2 Loans	0
a) Central banks	0
b) Public administrations	0
c) Banks	0
d) Other financial companies	0
of which: insurance companies	*0*
e) Non finance companies	0
f) Families	0
Total	0

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

Line items/values	Total 31/12/2020		
	Level 1	Level 2	Level 3
A. Cash assets			
1 Debt securities	1,325	0	4,663
1.1 Structured securities	0	0	0
1.2 Other debt securities	1,325	0	4,663
2 Capital securities	0	0	0
3 Shares in mutual funds	0	0	10,517
4 Loans	0	0	63,950
4.1 Repurchase agreements	0	0	0
4.2 Other	0	0	63,950
Total	**1,325**	**0**	**79,130**

2.6 Financial assets obligatorily measured at fair value: breakdown by borrowers /issuers

Line items/values	Total 31/12/2020
1 Capital Securities	**0**
of which: Banks	0
of which: Other financial companies	0
of which: Other non finance companies	0
2. Debt Securities	**5,988**
a) Central banks	0
b) Public administrations	0
c) Banks	1,994
d) Other financial companies	3,994
of which: insurance companies	*0*
e) Non finance companies	0
3 Shares in mutual funds	**10,517**
2 Loans	**63,950**
a) Central banks	0
b) Public administrations	0
c) Banks	147
d) Other financial companies	12,268
of which: insurance companies	*8,097*
e) Non finance companies	51,139
f) Families	396
Total	**80,455**

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

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

Line items/values	Total 31/12/2020		
	Level 1	Level 2	Level 3
1. Debt securities	173,030	0	0
1.1 Structured securities	36,974	0	0
1.2 Other debt securities	136,056	0	0
2. Capital securities	0	0	18,474
3. Loans	0	0	0
Total	**173,030**	**0**	**18,474**

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

Line items/values	Total 31/12/2020
1. Debt Securities	**173,030**
a) Central banks	0
b) Public administrations	135,805
c) Banks	37,226
d) Other financial companies	0
of which: insurance companies	0
e) Non finance companies	0
2. Capital Securities	**18,474**
a) Banks	7,511
b) Other issuers:	10,963
- other financial companies	458
of which: insurance companies	0
- non finance companies	10,506
- other	0
3. Loans	**0**
a) Central banks	0
b) Public administrations	0
c) Banks	0
d) Other financial companies	0
of which: insurance companies	0
e) Non finance companies	0
f) Families	0
Total	**191,505**

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-offs
	First stage	of which: Instruments with a low credit risk	Second stage	Third stage	First stage	Second stage	Third stage	
Debt securities	135,835	135,835	37,307	0	31	82	0	0
Loans	0	0	0	0	0	0	0	0
Total 31/12/2020	**135,835**	**135,835**	**37,307**	**0**	**31**	**82**	**0**	**0**
Total 31/12/2019	0	0	0	0	0	0	0	0
of which: Impaired financial assets purchased or originated	*X*	*X*	*0*	*0*	*X*	*0*	*0*	*0*

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

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

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

Types of transactions / Values	Total 31/12/2020					
	Book value			Fair value		
	First and second stage	Third stage	of which: impaired purchased or originated	Level 1	Level 2	Level 3
A. Receivables from central banks	**234,128**	**0**	**0**	**0**	**0**	**234,128**
1. Term deposits	0	0	0	0	0	0
2. Regulatory reserve	234,128	0	0	0	0	234,128
3. Repurchase agreements	0	0	0	0	0	0
4. Other	0	0	0	0	0	0
B. Receivables from banks	143,737	0	0	11,378	0	131,877
1. Loans	132,358	0	0	0	0	131,877
1.1. Current accounts and demand deposits	77,873	0	0	0	0	77,866
1.2. Term deposits	54,011	0	0	0	0	54,011

Types of transactions / Values	Total 31/12/2020					
	Book value			Fair value		
	First and second stage	Third stage	of which: impaired purchased or originated	Level 1	Level 2	Level 3
1.3. Other financing:	474	0	0	0	0	0
- Repurchase agreements receivables	0	0	0	0	0	0
- Financial leases	0	0	0	0	0	0
- Other	474	0	0	0	0	0
2. Debt securities	11,378	0	0	11,378	0	0
2.1 Structured securities	0	0	0	0	0	0
2.2 Other debt securities	11,378	0	0	11,378	0	0
Total	**377,865**	**0**	**0**	**11,378**	**0**	**366,006**

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

Types of transactions/values	Total 31/12/2020						
	Book value				Fair value		
	First and second stage	Third stage	of which: impaired purchased or originated	Total	Level 1	Level 2	Level 3
1. Loans	**2,713,450**	**167,822**	**797**	**2,881,272**	**X**	**X**	**X**
1.1. Current accounts	327,302	29,583	37	**356,886**	X	X	X
1.2. Repurchase agreements receivables	0	0	0	**0**	X	X	X
1.3. Mortgage loans	1,322,149	97,572	674	**1,419,721**	X	X	X
1.4. Credit cards, personal loans and salary-backed loans	15,218	696	55	**15,915**	X	X	X
1.5. Financial leases	194,724	18,332	0	**213,056**	X	X	X
1.6. Factoring	0	0	0	**0**	X	X	X
1.7. Other financing	854,057	21,637	32	**875,695**	X	X	X
2. Debt securities	280,384	0	0	**280,384**	280,384	0	0
2.1 Structured securities	0	0	0	**0**	0	0	0
2.2 Other debt securities	280,384	0	0	**280,384**	280,384	0	0
Total (book value)	**2,993,834**	**167,822**	**797**	**3,161,655**	**280,384**	**0**	**0**

4.3 Financial assets measured at amortised cost: breakdown by borrowers /issuers of receivables from customers

Types of transactions/Values	Total 31/12/2020		
	First and second stage	Third stage	of which: impaired purchased or originated
1. Debt securities	**280,384**	**0**	**0**
a) Public administrations	280,384	0	0
b) Other financial companies	0	0	0
of which: insurance companies	*0*	*0*	*0*
c) Non finance companies	0	0	0
2. Loans to:	**2,713,450**	**167,822**	**797**
a) Public administrations	2,029	0	0
b) Other financial companies	73,659	1,939	0
of which: insurance companies	*0*	*0*	*0*
c) Non finance companies	1,490,752	94,071	175
d) Families	1,147,011	71,811	622
Total	**2,993,834**	**167,822**	**797**

4.4 Financial assets measured at amortised 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	280,448	280,448	11,714	0	64	335	0	0
Loans	2,857,232	2,815,294	249,750	286,894	10,689	16,356	119,073	0
Total 31/12/2020	**3,137,680**	**3,095,742**	**261,463**	**286,894**	**10,753**	**16,691**	**119,073**	**0**
Total 31/12/2019	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
of which: Impaired financial assets purchased or originated	***X***	***X***	*462*	*462*	***X***	*0*	*148*	*0*

4.4a Liabilities measured at amortised cost subject to Covid-19 aid measures: 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	
1. Loans subject to forbearance conformant to GL	530,005	0	89,661	2,562	4,050	9,643	792	0
2. Loans subject to other forbearance measures	807	0	95	0	0	0	0	0
3.Other loans	296,586	0	31,366	224	1,949	3,565	64	0
Total 31/12/2020	**827,398**	**0**	**121,121**	**2,785**	**5,999**	**13,209**	**856**	**0**
Total 31/12/2019	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Section 5 - Hedges - Line item 50

As at 31 December 2020 this line item was not measured.

Section 6 – Value adjustments of financial assets subject to generic hedging

As at 31 December 2020 this line item was not measured.

Section 7 - Equity investments - Line item 70

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

Name	Registered offices	Operating offices	Type of relationship	Type of participation		% of votes available
				Participating undertaking	Share %	
A. Jointly held companies						
B. Companies subject to significant influence						
1. Cabel Holding S.p.A. [1]	Empoli	Empoli	4	Banca Cambiano 1884 S.p.A.	49.60%	29.60%
2. Cabel Industry S.p.A. [2]	Empoli	Empoli	4	Banca Cambiano 1884 S.p.A.	18.00%	18.00%

Notes

[1] 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%.

[2] The percent of shareholdings in Cabel Industry s.p.a. has increased to 51.61% due to the Cabel Holding s.p.a. shareholdings.

7.2 Significant equity investments: book value, fair value and dividends received

Name	Book value	Fair Value	Dividends received
A. Jointly held companies	**0**	**0**	**0**
B. Companies subject to significant influence	**23,993,207**	**25,401,072**	**0**
1. Cabel Holding S.p.A.	21,960,928	**23,368,794**	0
2. Cabel Industry S.p.A.	2,032,279	**2,032,279**	0
Totals	**23,993,207**	**25,401,072**	**0**

Note

The fair value of equity investments in companies solely controlled and subject to significant influence corresponds to the book value in that none of the companies in question is listed on a trade market.

7.3 Significant equity investments: accounting information

Name	Cash and cash equivalents	Financial assets	Non financial assets	Financial liabilities	Non financial liabilities	Total revenue	Interest income

A. Solely controlled companies	**0**	**0**	**0**	**0**	**0**	**0**	**0**
B. Jointly controlled companies	**X**	**26,160**	**68,741**	**0**	**41,504**	**39,794**	**x**
1. Cabel Holding S.p.A.	X	25,966	17,677	0	1,537	4,989	x
2. Cabel Industry S.p.A.	X	194	51,064	0	39,967	34,805	x
Totals	**0**	**26,160**	**68,741**	**0**	**41,504**	**39,794**	**0**

Names	Value adjustments and write-backs on property, plants and equipment and intangible assets	Profit (loss) on continuing operations before tax	Profit (loss) on continuing operations after tax	Profit (loss) from groups of assets in course of divestment net of taxes	Profit (loss) for the fiscal year	Other income components after tax	Overall profitability
					(1)	(2)	(3) = (1) + (2)
A. Solely controlled companies	**0**	**0**	**0**	**0**	**0**	**0**	**0**
B. Jointly controlled companies	**x**	**1,000**	**787**	**0**	**787**	**0**	**787**
C. Companies subject to significant influence	x	606	501	0	501	0	501
1. Cabel Holding S.p.A.	x	394	286	0	286	0	286
2. Cabel Industry S.p.A.	**0**	**1,000**	**787**	**0**	**787**	**0**	**787**
Total	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Notes
The above companies carry out activities that are instrumental to Bank activities and perform services that are auxiliary to Group activities.
The values shown in the above table refer to the year 2019, in that at the date of presentation of the financial statements to the Board of Directors for approval, the definitive balance sheet data as at 31 December 2020 for the companies in question were not yet available.

The book value was calculated according to the table below:

name	Shareholders' equity	Shareholding %	Purchase/ Sale	Dividends received	Book value
1. Cabel Holding S.p.A.	44,276	49.60%	0	0	21,961
2. Cabel Industry S.p.A.	11,290	18.00%	0	0	2,032
Totals	**55,567**		**0**	**0**	**23,993**

7.5 Equity investments: annual variations

Line items	Total 31/12/2020
A. Initial value	**23.693**
B. Additions	**300**
B.1 Purchases	0
B.2 Write-backs of value	0
B.3 Revaluations	300
B.4 Other variations	0
C. Reductions	**0**
C.1 Sales	0
C.2 Value adjustments	0
C.3 Write-downs	0
C.4 Other variations	0
D. Final values	**23,993**
E. Total revaluations	**13,257**
F. Total adjustments	**0**

Notes
Line item B.3 "Revaluations" includes the revaluation of the company Cabel Holding s.p.a. for 194 thousand euro and the revaluation of the company Cabel Industry s.p.a. for 54 thousand euro.

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 - Reinsurers' share of technical reserves - Line item 80

There are no technical reserves.

Section 9 - Property, plants and equipment - Line item 90

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

Assets/values	Total 31/12/2020
1. Owned assets	**64,110**
a) land	12,240
b) buildings	37,658
c) furniture	9,613
d) electronic equipment	983
e) other	3,616
2. Assets purchased through leases	**14,367**
a) land	0
b) buildings	14,316
c) furniture	0
d) electronic equipment	0
e) other	51
Total	**78,477**
of which: obtained by en forcing guarantees	*0*

Notes
All the Group'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.

9.2 Property, plants and equipment held as investments: breakdown of assets measured at cost

Assets/values	Total 31/12/2020			
	Book value	Fair value		
		L1	L2	L3
1. Owned assets	**3,332**	**0**	**0**	**3,332**
a) land	96	0	0	96
b) buildings	3,236	0	0	3,236
2. Rights of used purchased through leases	**0**	**0**	**0**	**0**
a) land	0	0	0	0
b) buildings	0	0	0	0
Total	**3,332**	**0**	**0**	**3,332**

Key:
Level 1 = Fair value of a financial instrument listed on a regulated market;
Level 2 = Fair value measured based on methods of evaluation that use observable market parameters as references, other than the listings of the financial instrument;
Level 3 = Fair value calculated based on methods of evaluation that use parameters not observable on the market as references.

9.4 Property, plants and equipment held as investments: breakdown of assets measured at fair value

Assets/values	Total 31/12/2020		
	Fair value		
	L1	L2	L3
1. Owned assets	**0**	**0**	**3,213**
a) land	0	0	0
b) buildings	0	0	3,213
2. Rights of used purchased through leases	**0**	**0**	**0**
a) land	0	0	0
b) buildings	0	0	0
Total	**0**	**0**	**3,213**

Key:
Level 1 = Fair value of a financial instrument listed on a regulated market;
Level 2 = Fair value measured based on methods of evaluation that use observable market parameters as references, other than the listings of the financial instrument;
Level 3 = Fair value calculated based on methods of evaluation that use parameters not observable on the market as references.

Notes
Property, plants and equipment held as investments and measured at fair value are owned buildings not used for the business undertakings of Group companies.

9.6 Property, plants and equipment with a functional use: annual variations

Line items	Land	Buildings	Furniture	Electronic equipment	Other	Total 31/12/2020

Line items	Land	Buildings	Furniture	Electronic equipment	Other	Total 31/12/2020
A. Initial gross value	**12,240**	**70,355**	**13,936**	**3,482**	**12,300**	**112,314**
A.1 Total net reductions of value	0	18,136	4,275	2,580	8,219	**33,210**
A.2 Initial net value	**12,240**	**52,220**	**9,661**	**903**	**4,081**	**79,104**
A.3 Modification of opening balances (FTA IFRS16)	0	0	0	0	0	**0**
A.4 Net balance	**12,240**	**52,220**	**9,661**	**903**	**4,081**	**79,104**
B. Additions:	**0**	**3,676**	**374**	**419**	**1,039**	**5,507**
B.1 Purchases	0	2,913	374	419	1,020	**4,726**
B.2 Expenses for capitalised improvements	0	349	0	0	0	**349**
B.3 Write-backs of value	0	0	0	0	0	**0**
B.4 Increases of fair value allocated to:	0	0	0	0	0	**0**
a) shareholders' equity	*0*	*0*	*0*	*0*	*0*	***0***
b) profit and loss account	*0*	*0*	*0*	*0*	*0*	***0***
B.5 Increases in exchange rates	0	0	0	0	0	**0**
B.6 Transfers from buildings held as investments	0	0	0	0	0	**0**
B.7 Other variations	0	414	0	0	18	**433**
C. Reductions:	**0**	**3,922**	**421**	**338**	**1,452**	**6,134**
C.1 Sales	0	135	0	0	41	**176**
C.2 Depreciation	0	3,219	421	336	1,397	**5,373**
C.3 Value adjustments due to impairment allocated to:	**0**	**39**	**0**	**2**	**15**	**56**
a) shareholders' equity	*0*	*0*	*0*	*0*	*0*	***0***
b) profit and loss account	*0*	*39*	*0*	*2*	*15*	***56***
C.4 Decreases of fair value allocated to:	**0**	**0**	**0**	**0**	**0**	**0**
a) shareholders' equity	*0*	*0*	*0*	*0*	*0*	***0***
b) profit and loss account	*0*	*0*	*0*	*0*	*0*	***0***
C.5 Decreases in exchange rates	0	0	0	0	0	**0**
C.6 Transfers to:	**0**	**0**	**0**	**0**	**0**	**0**
a) property, plants and equipment held as investments	*0*	*0*	*0*	*0*	*0*	***0***
b) assets in the course of divestment	*0*	*0*	*0*	*0*	*0*	***0***
C.7 Other variations	0	529	0	0	0	**529**
D. Final net values	**12,240**	**51,974**	**9,613**	**983**	**3,667**	**78,477**
D.1 Total net reductions of value	0	20,940	4,696	2,916	9,598	**38,150**
D.2 Final gross values	**12,240**	**72,914**	**14,309**	**3,899**	**13,265**	**116,628**
E. Measurement at cost	**0**	**0**	**0**	**0**	**0**	**0**

Depreciation is calculated *pro rata* using the following rates:

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

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

Line items	Land	Buildings	Furniture	Electronic equipment	Other	Total 31/12/2020
A. Initial gross value	**0**	**16,114**	**0**	**0**	**28**	**16,142**
A.1 Total net reductions of value	0	1,292	0	0	21	1,313
A.2 Initial net value	**0**	**14,822**	**0**	**0**	**7**	**14,829**
A.3 Modification of opening balances (FTA IFRS16)	0	0	0	0	0	0
A.4 Net balance	**0**	**14,822**	**0**	**0**	**7**	**14,829**

B. Additions:	**0**	**1,886**	**0**	**0**	**68**	**1,954**
B.1 Purchases	0	1,886	0	0	68	1,954
B.2 Expenses for capitalised improvements	0	0	0	0	0	0
B.3 Write-backs of value	0	0	0	0	0	0
B.4 Increases of fair value allocated to:	**0**	**0**	**0**	**0**	**0**	**0**
a) shareholders' equity	0	0	0	0	0	0
b) income statement	0	0	0	0	0	0
B.5 Increases in exchange rates	0	0	0	0	0	0
B.6 Transfers from buildings held as investments	0	0	0	0	0	0
B.7 Other variations	0	0	0	0	0	0
C. Reductions:	**0**	**2,391**	**0**	**0**	**24**	**2,416**
C.1 Sales	0	0	0	0	0	0
C.2 Depreciation	0	2,169	0	0	24	2,193
C.3 Value adjustments from impairment allocated to:	**0**	**0**	**0**	**0**	**0**	**0**
a) shareholders' equity	0	0	0	0	0	0
b) income statement	0	0	0	0	0	0
C.4 Decreases of fair value allocated to:	**0**	**0**	**0**	**0**	**0**	**0**
a) shareholders' equity	*0*	*0*	*0*	*0*	*0*	*0*
b) income statement	*0*	*0*	*0*	*0*	*0*	*0*
C.5 Decreases in exchange rates	0	0	0	0	0	0
C.6 Transfers to:	**0**	**0**	**0**	**0**	**0**	**0**
a) property, plants and equipment held as investments	*0*	*0*	*0*	*0*	*0*	*0*
b) noncurrent assets and groups of assets in the course of divestment	*0*	*0*	*0*	*0*	*0*	*0*
C.7 Other variations	0	223	0	0	0	223
D. Final net value	**0**	**14,316**	**0**	**0**	**51**	**14,367**
D.1 Total net reductions of value	0	3,460	0	0	45	3,506
D.2 Final gross values	**0**	**17,776**	**0**	**0**	**96**	**17,873**
E. Measurement at cost	**0**	**0**	**0**	**0**	**0**	**0**

9.7 Property, plants and equipment held as investments: annual variations

Line items	Land	Buildings	Furniture	Electronic equipment	Other	Total 31/12/2020
A. Initial gross value	**0**	**6.273**	**0**	**0**	**0**	**6.273**
A.1 Total net reductions of value	0	106	0	0	0	**106**
A.2 Initial net value	**0**	**6,167**	**0**	**0**	**0**	**6,167**
B. Additions:	**96**	**449**	**0**	**0**	**0**	**544**
B.1 Purchases	96	449	0	0	0	**544**
of which: company merger transactions	*0*	*0*	*0*	*0*	*0*	***0***
B.2 Expenses for capitalised improvements	0	0	0	0	0	**0**
B.3 Write-backs of value	0	0	0	0	0	**0**
B.4 Increases of fair value allocated to:	**0**	**0**	**0**	**0**	**0**	**0**
a) shareholders' equity	*0*	*0*	*0*	*0*	*0*	***0***
b) income statement	*0*	*0*	*0*	*0*	*0*	***0***
B.5 Increases in exchange rates	0	0	0	0	0	**0**
B.6 Transfers from buildings held as investments	0	0	0	0	0	**0**
B.7 Other variations	0	0	0	0	0	**0**
C. Reductions:	**0**	**166**	**0**	**0**	**1**	**166**
C.1 Sales	0	0	0	0	0	**0**
of which: company merger transactions	0	0	0	0	0	**0**
C.2 Depreciation	0	0	0	0	1	**1**
C.3 Value adjustments from impairment allocated to:	**0**	**0**	**0**	**0**	**0**	**0**
a) shareholders' equity	*0*	*0*	*0*	*0*	*0*	***0***
b) income statement	*0*	*0*	*0*	*0*	*0*	***0***
C.4 Decreases of fair value allocated to:	**0**	**166**	**0**	**0**	**0**	**166**
a) shareholders' equity	*0*	*0*	*0*	*0*	*0*	***0***

Line items	Land	Buildings	Furniture	Electronic equipment	Other	Total 31/12/2020
b) income statement	*0*	*166*	*0*	*0*	*0*	***166***
C.5 Decreases in exchange rates	0	0	0	0	0	**0**
C.6 Transfers to:	**0**	**0**	**0**	**0**	**0**	**0**
a) property, plants and equipment held as investments	*0*	*0*	*0*	*0*	*0*	***0***
b) assets in course of divestment	*0*	*0*	*0*	*0*	*0*	***0***
C.7 Other variations	0	0	0	0	0	**0**
D. Final net value	**96**	**6,449**	**0**	**0**	**-1**	**6,544**
D.1 Total net reductions of value	0	106	0	0	1	**107**
D.2 Final gross values	**96**	**6,555**	**0**	**0**	**0**	**6,651**
E. Measurement at cost	**0**	**0**	**0**	**0**	**0**	**0**

Section 10 - Intangible assets - Line item 100

10.1 Intangible assets: breakdown by type of asset

Assets/values	Total 31/12/2020	
	Limited duration	Indefinite duration
A.1 Goodwill	**0**	**0**
A.2 Other intangible assets	**3,247**	**0**
A.2.1 Assets measured at cost:	3,247	0
a) Intangible assets generated internally	0	0
b) Other assets	3,247	0
A.2.2 Assets measured at fair value:	0	0
a) Intangible assets generated internally	0	0
b) Other assets	0	0
Total	**3,247**	**0**

Notes

All the Group's intangible assets are measured at cost.
The goodwill booked at 1 January 2020 refers to the purchase of Banca A.G.C.I. S.p.A. by Banca Cambiano 1884 S.p.A., as part of the "way-out", operation, on transaction date 01/01/2017.
Details regarding the determination of goodwill amounts and the relative impairment are provided in "Part A.2 – PART RELATIVE TO THE MAIN BALANCE SHEET LINE ITEMS of the Bank's explanatory notes.
The table below summarises the variations to goodwill in 2020 due to impairment.

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

10.2 Intangible assets: annual variations

Line items	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total 31/12/2020
		limited duration	indefinite duration	limited duration	indefinite duration	
A. Initial gross value	**6,975**	**0**	**0**	**6,385**	**0**	**13,359**
A.1 Total net reductions of value	3,834	0	0	4,350	0	**8,185**
A.2 Initial net value	**3,140**	**0**	**0**	**2,034**	**0**	**5,175**
B. Additions	**0**	**0**	**0**	**1,897**	**0**	**1,897**
B.1 Purchases	0	0	0	1,897	0	**1,897**
B.2 Increases of internal intangible assets	0	0	0	0	0	**0**
B.3 Write-backs of value	0	0	0	0	0	**0**
B.4 Increases of fair value	0	0	0	0	0	**0**
- to shareholders' equity	*0*	*0*	*0*	*0*	*0*	***0***
- to income statement	*0*	*0*	*0*	*0*	*0*	***0***
B.5 Increases in exchange rates	0	0	0	0	0	**0**
B.6 Other variations	0	0	0	0	0	**0**

C. Reductions	**3,140**	**0**	**0**	**684**	**0**	**3,825**
C.1 Sales	0	0	0	0	0	**0**
C.2 Value adjustments	**3,140**	**0**	**0**	**635**	**0**	**3,775**
- Depreciation	*0*	*0*	*0*	*635*	*0*	***635***
- Write-downs	***3,140***	***0***	***0***	***0***	***0***	***3,140***
+ shareholders' equity	*0*	*0*	*0*	*0*	*0*	***0***
+ income statement	*3,140*	*0*	*0*	*0*	*0*	***3,140***
C.3 Decreases of fair value	**0**	**0**	**0**	**0**	**0**	0
- shareholders' equity	*0*	*0*	*0*	*0*	*0*	***0***
- profit and loss account	*0*	*0*	*0*	*0*	*0*	***0***
C.4 Transfers to noncurrent assets in course of divestment	0	0	0	0	0	**0**
C.5 Decreases in exchange rates	0	0	0	0	0	**0**
C.6 Other variations	0	0	0	50	0	**50**
D. Final net value	**0**	**0**	**0**	**3,247**	**0**	**3,247**
D.1 Total net value adjustments	6,975	0	0	4,985	0	**11,960**
E. Final gross values	**6,975**	**0**	**0**	**8,232**	**0**	**15,207**
F. Measurement at cost	**0**	**0**	**0**	**0**	**0**	**0**

Notes
At 31 December 2020, other intangible assets consist in expenses for company software.

Section 11 - Tax receivables and liabilities- Assets line item 110 and Liabilities line item 60

11.1 Assets from pre-paid taxes: breakdown

Line items/Values	Total 31/12/2019
1. Multi-year costs	0
2. Personnel costs	444
3. Receivables	19,143
4. Entertainment expenses	0
5. Financial instruments (HTC securities)	930
6. Tax losses	1,843
7. Goodwill	1,717
8. Other	150
Total	**24,226**

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

Point 3. – Detail of assets for pre-paid taxes:

N.	Line items/Values	Total 31/12/2020
01.	IRAP (tax on productive activities) scheduled for 2018 - deferred to 2026	0
02.	IRES (corporate income tax) scheduled for 2018 - deferred to 2026	0
03.	IRAP (tax on productive activities) scheduled for 2019 - deferred to 2027	0
04.	IRES (corporate income tax) scheduled for 2019 - deferred to 2027	0
05.	IRAP (tax on productive activities) scheduled for 2020	0
06.	IRES (corporate income tax) scheduled for 2020	0
07.	IRAP (tax on productive activities) scheduled for 2021	353
08.	IRES (corporate income tax) scheduled for 2021	2,315
09.	IRAP (tax on productive activities) scheduled for 2022	353
10.	IRES (corporate income tax) scheduled for 2022	2,315
11.	IRAP (tax on productive activities) scheduled for 2023	353
12.	IRES (corporate income tax) scheduled for 2023	2,315
13.	IRAP (tax on productive activities) scheduled for 2024	353
14.	IRES (corporate income tax) scheduled for 2024	2,315
15.	IRAP (tax on productive activities) scheduled for 2025	147

16.	IRES (corporate income tax) scheduled for 2025	965
17.	IRAP (tax on productive activities) scheduled for 2026	294
18.	IRES (corporate income tax) scheduled for 2026	1,929
19.	IRAP (tax on productive activities) scheduled for 2027	353
20.	IRES (corporate income tax) scheduled for 2027	2,315
21.	IRAP (tax on productive activities) on FTA IFRS9 adjustments scheduled for 2028	416
22.	IRES (corporate income tax) on FTA IFRS9 adjustments scheduled for 2028	2,052
	Total	**19,143**

11.2 Liabilities for deferred taxes: breakdown

Line items/Values	Total 31/12/2020
1. Property, plants and equipment	2,909
2. Personnel costs	0
3. Former credit risk fund	0
4. Equity investments	46
5. Financial instruments (HTC securities)	183
6. Goodwill	110
7. Other	461
Total	**3,709**

Notes
The line item "Equity investments" shows tax liabilities referred to equity investments calculated at the IRES rate (27.50%) on 5.00% of overall capital gain (3,344 thousand euro).
The line "Financial instruments" shows tax liabilities related to financial instruments classified in the portfolios of financial assets measured at fair value with impact on total profits.

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

Line items	Total 31/12/2020
1. Initial value	**22,761**
2. Additions	**2,852**
2.1 Pre-paid taxes recognised during the fiscal year	2,852
a) related to previous fiscal years	*0*
b) due to changes to accounting policies	*0*
c) write-backs of value	*0*
d) other	*2,852*
2.2 New taxes or increases of tax rates	0
2.3 Other additions	0
3. Reductions	**2,761**
3.1 Pre-paid taxes derecognised during the fiscal year	2,761
a) reversals	*2,761*
b) write-downs for receivables written off as unrecoverable	*0*
c) changes to accounting policies	*0*
d) other	*0*
3.2 Reductions in tax rates	0
3.3 Other reductions	0
a) transformation into tax credits pursuant to Law n. 214/2011	*0*
b) other	*0*
4. Finale value	**22,852**

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

11.4 Variations to pre-paid taxes pursuant to Law 214/2011 (as offset in the income statement)

Line items	Total 31/12/2020
1. Initial value	**19,343**
2. Additions	**0**
3. Reductions	**2,688**

Line items	Total 31/12/2020
3.1 reversals	2,688
3.2 transformation into tax credits	0
a) deriving from operating losses	*0*
b) deriving from tax losses	*0*
3.3 other reductions	0
4. Final value	**16,675**

11.5 Variations to deferred taxes (as offset in the income statement)

Line items	Total 31/12/2020
1. Initial value	**2,391**
2. Additions	**3**
2.1 Deferred taxes recognised during the fiscal year	**3**
a) related to previous fiscal years	*0*
b) due to changes in accounting policies	*0*
c) other	*3*
2.2 New taxes or increases of tax rates	0
2.3 Other additions	0
3. Reductions	**1,930**
3.1 Deferred taxes derecognised during the fiscal year	**1,930**
a) reversals	*1,930*
b) due to changes in accounting policies	*0*
c) other	*0*
3.2 Reductions in tax rates	0
3.3 Other reductions	0
4. Final value	**463**

Notes
The table summarizes all deferred taxes that will be absorbed during subsequent fiscal years as offsets in the income statement.
The sub-line item “a) reversals" under Reductions includes the release in the amount of 1,930 thousand euro of deferred tax liabilities previously booked on greater accounting values of property plants and equipment in accordance with the option to realign the relative tax values exercised by the Banca Cambiano 1884 S.p.A. in compliance with the provisions of Law Decree n. 104/2020 (so-called August Decree).

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

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

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

11.7 Variations to deferred taxes (as offset to shareholders’ equity)

Line items	Total 31/12/2020
1. Initial value	**229**
2. Additions	**0**
2.1 Deferred taxes recognised during the fiscal year	**0**
a) related to previous fiscal years	*0*
b) due to changes to accounting policies	*0*
c) other	*0*
2.2 New taxes or increases of tax rates	0
2.3 Other additions	0
3. Reductions	**72**
3.1 Deferred taxes derecognised during the fiscal year	**72**
a) reversals	*72*
b) due to changes to accounting policies	*0*
c) other	*0*
3.2 Reductions in tax rates	0
3.3 Other reductions	0
4. Final value	**157**

11.8 Other information – Assets due to current taxes – Breakdown

Line items	Total 31/12/2020
1. Advances paid to the tax authority	11,128
2. Tax receivables – principal	4,696
3. Tax receivables - interest	0
4. Other withholdings	140
Total	**15,964**

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

11.8 Other information - Liabilities due to current taxes – Breakdown

Line items	Total 31/12/2020
1. Fund for IRES tax	741
2. Fund for IRAP tax	140
3. Fund for stamp duties	31
4. Tax fund – substitute tax Law n.244/2007	0
5. Tax fund - Other	95
Total	**1,007**

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

Section 13 - Other assets - Line item 130

13.1 Other assets: breakdown

Line items	Total 31/12/2020
01. Other debtors	5,011
02. Entries in transit	215
03. Entries being processed	16,746
04. Various entries to be settled	128
05. Stipulated loans to be disbursed	14,863
06. Checks, bills returned unpaid and protested	135
07. Assets sold and not derecognised	0
08. Assets for expenses on third party goods	899
09. Expenses not yet invoiced	171
10. Costs to be allocated	0
11. Advance operations on securities	718
12. Various open entries	5,616

Line items	Total 31/12/2020
13. Accrued income and prepayments	2,142
14. Securities to be settled (Sales)	0
15. Loans for tax bonuses	45
Total	**46,689**

LIABILITIES

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

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

Types of transactions/Values	Total 31/12/2020			
	Book value	Fair value		
		Level 1	Level 2	Level 3
1. Payables to central banks	786,725	0	0	786,725
2. Payables to banks	**128,006**	**0**	**0**	**128,006**
2.1 Current accounts and demand deposits	123,231	0	0	123,231
2.2 Term deposits	0	0	0	0
2.3 Loans	4,610	0	0	4,610
2.3.1 Repurchase agreements – payable	0	0	0	0
2.3.2 Other	4,610	0	0	4,610
2.4 Liabilities for commitments to repurchase own shares	0	0	0	0
2.5 Liabilities for leases	0	0	0	0
2.6 Other liabilities	165	0	0	165
Total	**914,731**	**0**	**0**	**914,731**

Key:
Level 1 = Fair value of a financial instrument listed on a regulated market;
Level 2 = Fair value measured based on methods of evaluation that use observable market parameters as references, other than the listings of the financial instrument;
Level 3 = Fair value calculated based on methods of evaluation that use parameters not observable on the market as references.

Notes

I Payables to banks are all measured at cost or at amortised cost.
The line item "Payables to central banks" includes the TLTROII opened by Banca Cambiano 1884 S.p.A. during 2020 for € 786,725 thousand euro.
The amount at 31/12/2020 is less the interest expenses calculated at a -1.00% tax rate from the date of initiation (3,275 thousand euro)

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

Types of transactions/Values	Total 31/12/2019			
	Book value	Fair value		
		Level 1	Level 2	Level 3
1. Current accounts and demand deposits	2,102,377	0	0	2,102,377
2. Term deposits	567,949	0	0	567,949
3. Loans	13,675	0	0	13,675
3.1 Repurchase agreements -liabilities	*13,004*	*0*	*0*	*13,004*
3.2. Other	*672*	*0*	*0*	*672*
4. Liabilities for commitments to repurchase own shares	0	0	0	0
5. Liabilities for leases	14,671	0	0	14,671
6. Other liabilities	831	0	0	831
Total	**2,699,504**	**0**	**0**	**2,699,504**

Key:
Level 1 = Fair value of a financial instrument listed on a regulated market;
Level 2 = Fair value measured based on methods of evaluation that use observable market parameters as references, other than the listings of the financial instrument;
Level 3 = Fair value calculated based on methods of evaluation that use parameters not observable on the market as references.

Notes

Payables to customers are all measured at cost or at amortised 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 amortised cost: breakdown by type of outstanding securities

Type of securities/Values	Total 31/12/2020			
	Book values	Fair value		
		Level 1	Level 2	Level 3
A. Securities				
1. Bond Securities	146,523	0	0	146,523
1.1 structured	*0*	*0*	*0*	*0*
1.2 other	*146,523*	*0*	*0*	*146,523*
2. Other securities	115	0	0	115
2.1 structured	*0*	*0*	*0*	*0*

Type of securities/Values	Total 31/12/2020			
	Book values	Fair value		
		Level 1	Level 2	Level 3
2.2 other	*115*	*0*	*0*	*115*
Total	**146,638**	**0**	**0**	**146,638**

Key:
Level 1 = Fair value of a financial instrument listed on a regulated market;
Level 2 = Fair value measured based on methods of evaluation that use observable market parameters as references, other than the listings of the financial instrument;
Level 3 = Fair value calculated based on methods of evaluation that use parameters not observable on the market as references.

Notes

The table indicates deposits consisting of securities that also include, in addition to bonds, outstanding and matured certificates of deposit to be repaid.
Liabilities are indicated net of repurchased bonds.
All of the liabilities are measured at cost or at amortised 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.

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

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

Notes

The securities shown in the table are “T2” type subordinate debenture loans issued by Banca Cambiano 1884 S.p.A. for an overall nominal value of 57,000 thousand euro. At 31 December 2020, the loans in question are eligible for allocation to Own Funds in the amount of 51,797 thousand euro, pursuant to regulatory legislation.

1.6 Financial liabilities valued at amortised cost: liabilities for leases

TIME BRACKETS	Total 31/12/2020	
	Payments due	
	Financial leases	Operating leases
Up to 1 year	0	13
From over 1 year to 2 years	0	56
From over 2 years to 3 years	0	198
From over 3 years to 4 years	0	227
From over 4 years to 5 years	0	1,664
Over 5 years	0	12,487
All payments due for the lease	0	14,646
RECONCILIATION WITH LIABILITIES:		
Financial profits not accrued (-) (discount effect)	0	25
Liabilities for leases	**0**	**14,671**

Notes

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

Section 2 - Financial liabilities from trading - Line item 20

2.1 Financial liabilities from trading: breakdown by type

Types of transactions/Values	Total 31/12/2020				
	Notional value	Fair value			Fair Value (*)
		Level 1	Level 2	Level 3	
A. Cash liabilities	**0**	**0**	**0**	**0**	**0**
1. Payables to banks	0	0	0	0	0
2. Payables to customers	0	0	0	0	0
3. Debt securities	0	0	0	0	0
3.1 Securities	0	0	0	0	0
3.1.1 Structured	*0*	*0*	*0*	*0*	*0*
3.1.2 Other debt securities	*0*	*0*	*0*	*0*	*0*
3.2 Other securities	0	0	0	0	0

Types of transactions/Values	Total 31/12/2020				
	Notional value	Fair value			Fair Value (*)
		Level 1	Level 2	Level 3	
3.2.1 Structured	*0*	*0*	*0*	*0*	*0*
3.2.2 Other	*0*	*0*	*0*	*0*	*0*
Total A	**0**	**0**	**0**	**0**	**0**
B. Derivative instruments	**0**	**0**	**0**	**641**	**0**
1. Financial derivatives	0	0	0	641	0
1.1 From trading	*0*	*0*	*0*	*641*	*0*
1.2 Connected with the fair value option	*0*	*0*	*0*	*0*	*0*
1.3 Other	*0*	*0*	*0*	*0*	*0*
2. Credit derivatives	0	0	0	0	0
2.1 From trading	*0*	*0*	*0*	*0*	*0*
2.2 Connected with the fair value option	*0*	*0*	*0*	*0*	*0*
2.3 Other	0	0	0	0	0
Total B	**0**	**0**	**0**	**641**	**0**
Total A + B	**0**	**0**	**0**	**641**	**0**

Key:
Level 1 = Fair value of a financial instrument listed on a regulated market;
Level 2 = Fair value measured based on methods of evaluation that use observable market parameters as references, other than the listings of the financial instrument;
Level 3 = Fair value calculated based on methods of evaluation that use parameters not observable on the market as references.

Section 3 - Financial liabilities measured at fair value - Line item 30

There are no financial liabilities measured at fair value.

Section 4 - Hedges - Line item 40

4.1 Hedges: breakdown by type of hedge and by hierarchical level

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

Notes
The table shows the negative balance sheet value (fair value) of hedge contracts, using the hedge accounting instruments. Specifically, the transaction refers to the hedging of interest rate risk for a bond issued by Banca Cambiano 1884 S.p.A.

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

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

Section 8 - Other liabilities - Line item 80

8.1 Other liabilities: breakdown

Line items	Total 31/12/2020
01. Various tax entries	5,192
02. Entries in transit	5,722
03. Differences receivable on offsets of third party portfolios	39,936
04. Suppliers	4,638
05. Entries being processed and other creditors	31,820
06. Accrued liabilities and deferred income	3,484
07. Borrower accounts for stipulated loans to be disbursed	14,863
08. Securities to be settled (purchases)	12,515
Total	**118,169**

Section 9 - Employee severance pay - Line item 90

9.1 Employee severance pay: annual variations

Line items	Total 31/12/2020
A. Initial value	**4,049**
B. Additions	**1,430**
B.1 allocations during the fiscal year	1,164
B.2 Other variations	266
C. Reductions	**1,237**
C.1 Payments made	93
C.2 Other variations	1,144
D. Final values	**4,243**
Total	**4,243**

Notes
Line item B.1 "Allocations during the fiscal year" includes severance pay matured during the fiscal year in the amount of 1,164 thousand euro.
Line item B.1 "Allocations during the fiscal year" includes severance pay matured during the fiscal year in the amount of 1,144 thousand euro.

9.1 Other information

In accordance with IAS 19, employee severance pay was measured by applying specific actuarial estimation for the treatment of defined benefit funds.
More detailed information regarding the criteria used for these estimations is provided in the explanatory notes of the various Bank Group companies.

Section 10 - Risk and expense funds - Line item 100

10.1 Risk and expense funds: breakdown

Line items/Values	Total 31/12/2020
1. Funds for credit risk related to commitments and guarantees issued	2,450
2. Funds for other commitments and other guarantees issued	0
3. Funds for company pensions	0
4. Other risk and expense funds	183
4.1 lawsuits	*170*
4.2 personnel costs	*0*
4.3 other	*13*
Total	**2,633**

10.2 Risk and expense funds: annual variations

Line items	Funds for other commitments and guarantees issued	Pension funds	Other funds	Total 31/12/2020
A. Initial value	**2,099**	**0**	**54**	**2,153**
B. Additions	**502**	**0**	**150**	**653**
B.1 Allocations during the fiscal year	502	0	150	**653**
B.2 Variations due to the passage of time	0	0	0	**0**

Line items	Funds for other commitments and guarantees issued	Pension funds	Other funds	Total 31/12/2020
B.3 Variations due to changes to the discount rate	0	0	0	**0**
B.4 Other variations	0	0	0	**0**
C. Reductions	**151**	**0**	**21**	**173**
C.1 Use during the fiscal year	151	0	0	**151**
C.2 Variations due to changes to the discount rate	0	0	0	**0**
C.3 Other variations	0	0	21	**22**
D. Final values	**2,450**	**0**	**183**	**2,633**

10.3 Funds for credit risk related to commitments and guarantees issued

	Funds for credit risk related to commitments and guarantees issued			
	First stage	Second stage	Third stage	Total 31/12/2020
1. Commitments to disburse funds	5	0	0	5
2. Financial guarantees issued	293	43	2,109	2,445
Total	**298**	**43**	**2,109**	**2,450**

10.4 Funds for credit risk related to other commitments and other guarantees issued

	Funds for credit risk related to other commitments and other guarantees issued			
	First stage	Second stage	Third stage	Total 31/12/2020
1. Commitments to disburse funds	0	0	0	0
2. Financial guarantees issued	0	0	0	0
Total	**0**	**0**	**0**	**0**

Section 13 – Shareholders' equity - Line items 120, 130, 140, 150, 160, 170, e 180

13.2 Share capital – Number of Parent Company shares: annual variations

Line items/Types	Ordinary	Other
A. Outstanding shares at the start of the fiscal year	**232,800**	**0**
- entirely unrestricted	232,800	0
- with restrictions	0	0
A.1 Treasury shares (-)	0	0
A.2 Outstanding shares: initial value	**232,800**	**0**
B. Additions	**0**	**0**
B.1 New issues	**0**	**0**
- for payment:	0	0
- corporate merger operations	*0*	*0*
- conversion of securities	*0*	*0*
- exercise of warrants	*0*	*0*
- other	*0*	*0*
- with no charge:	0	0
- to employees	*0*	*0*
- to directors	*0*	*0*
- other	*0*	*0*
B.2 Sale of treasury shares	0	0
B.3 Other variations	0	0
C. Reductions	**0**	**0**
C.1 Derecognition	0	0
C.2 Purchase of treasury shares	0	0
C.3 Sale of companies	0	0
C.4 Other variations	0	0
D. Outstanding shares: final values	**232,800**	**0**
D.1 Treasury shares (+)	0	0
D.2 Outstanding shares at the end of the fiscal year	**232,800**	**0**
- entirely unrestricted	*232,800*	*0*
- with restrictions	*0*	*0*

13.3 Share capital: other information - annual variations

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

13.4 Reserves from gains: other information

Line items	Total 31/12/2020
1. Share capital	232,800
2. Premiums on the issue of new shares	803
3. Reserves	-53,617
3.1 Ordinary/extraordinary reserve	21,378
3.2 Regulatory reserve	0
3.3 Reserves - First Time Adoption IAS/IFRS	-78,146
3.4 Reserves - Way Out	3,425
3.5 Reserve for sale/redemption of FOE securities	-275
4. (Treasury shares)	0
5. Valuation reserves	584
5.1 Financial assets from trading	0
5.2 Financial assets measured at fair value with impact on total profits	-1,544
5.3 Financial assets measured at amortised cost	0
5.4 Property, plants and equipment	0
5.5 Intangible assets	0
5.6 Hedging of foreign investments	0
5.7 Hedging of cash flows	0
5.8 Exchange rate differences	0
5.9 Noncurrent assets in course of divestment	0
5.10 Actuarial profit (loss) on defined benefit assets	-1,171
5.11 Share of valuation reserves of equity investments measured on the basis of shareholders' equity	3,298
5.12 Special revaluation laws	0
6. Capital instruments	10,000
7. Profit (loss) for the fiscal year	8,670
Total	**199,241**

13.5 Capital instruments: breakdown and annual variations

ISIN	Date of issue	Date of redemption	Issue value	Amount booked in own funds
- IT0005427023	23/11/2020	31/12/2099	1,500	1,500
- IT0005429375	15/12/2020	15/12/2099	3,500	3,500
- IT0005429755	21/12/2020	21/12/2099	1,000	1,000
- IT0005431777	21/12/2020	21/12/2099	500	500
- IT0005432130	28/12/2020	28/12/2099	3,500	3,500
Total			**10,000**	**10,000**

Notes

Balance sheet line item "140. Capital instruments" includes new Additional Tier1 capital instruments, issued during the months of November and December 2020 by Banca Cambiano 1884 S.p.A. for an overall nominal value of 10,000 thousand euro and classified in "Additional Tier 1", in accordance with Regulation n. 575 of 2013 ("CRR").
For further information on the accounting treatment of these instruments, please refer to the contents of "Part A – Accounting policies" in the explanatory notes.

Section 14 - Equity pertaining to minority interest - Line item 190

14.1 Detail of line item 190 “Equity pertaining to minority interest”

Company name	Total 31/12/2020
Equity investments in consolidated companies with significant third-party shareholdings	2,032
1. Immobiliare 1884 S.r.l.	0
2. Cabel Leasing S.p.A.	2,032
Other equity investments	0
Total	**2,032**

Other information

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

	Nominal value on commitments and financial guarantees issued			Total 31/12/2020
	First stage	Second stage	Third stage	
1) Commitments to disburse funds	**954,728**	**50,398**	**11,083**	**1,016,209**
a) Central banks	0	0	0	0
b) Public administrations	680	0	0	680
c) Banks	2,500	0	0	2,500
d) Other financial companies	104,992	0	0	104,992
e) Non finance companies	769,478	47,391	10,595	827,464
f) Families	77,078	3,006	487	80,572
2) Financial guarantees issued	**92,608**	**4,676**	**3,316**	**100,601**
a) Central banks	0	0	0	0
b) Public administrations	123	0	0	123
c) Banks	0	0	0	0
d) Other financial companies	1,588	0	0	1,588
e) Non finance companies	80,840	4,108	2,817	87,765
f) Families	10,057	568	499	11,124
Total	**1,047,337**	**55,074**	**14,399**	**1,116,809**

2. Other commitments and other guarantees issued

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

3. Assets pledged as collateral for won liabilities and commitments

Portfolios	Total 31/12/2020
1. Financial assets measured at fair value with impact on profit and loss account	0
2. Financial assets measured at fair value with impact on total profits	176,742
3. Financial assets measured at amortised cost	384,258
4. Property, plants and equipment	0
Of which property, plants and equipment that constitute inventories	0

5. Management and trading on behalf of others

Type of service	Total 31/12/2020
1. Trading financial instruments on behalf of customers	**0**
a) Purchases	0
Settled	0
Not settled	0
b) Sales	0
Settled	0
Not settled	0
2. Asset management	**25,047**
3. Custody and management of Securities	**1,981,996**
a) third party securities in deposit: related to bank performance as depository bank (excluding asset management)	0
1. securities issued by the bank that prepares the balance sheet	0
2. other securities	0
b) third party securities on deposit (excluding asset management): other	497,052
1. securities issued by the bank that prepares the balance sheet	348,489
2. other securities	148,563
c) third party securities deposited with third parties	494,105
d) treasury securities deposited with third parties	990,840
4. Other transactions	**0**

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

Technical forms	Financial assets subject to on	balance sheet netting, or subject to master netting agreements or similar agreements	Financial assets subject to on	Correlated amounts not netted on-balance sheet		Net amount at 31/12/2020 (f = c - d - e)
				Financial instruments (d)	Cash deposits received as collateral (e)	
1. Derivatives	8	0	8	0	0	**8**
2. Repurchase agreements	0	0	0	0	0	**0**
3. Loan securities	0	0	0	0	0	**0**
4. Other	0	0	0	0	0	**0**
Total at 31/12/2020	**8**	**0**	**8**	**0**	**0**	**8**

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

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

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

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

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

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

PART C – Information on the consolidated income statement

Section 1 – Interest - Line items 10 e 20

1.1 Earned interest and similar income: breakdown

Line items/Technical forms	Debt Securities	Loans	Other transactions	Total 31/12/2020
1. Financial assets measured at fair value with impact on profit and loss account:	**437**	**0**	**0**	**437**
1.1 Assets held for trading	437	0	0	437
1.2 Financial assets measured at fair value	0	0	0	0
1.3 Other financial assets obligatorily measured at fair value	0	0	0	0
2. Financial assets measured at fair value with impact on total profits	**639**	**0**	**X**	**639**
3. Financial assets measured at amortised cost:	**2,391**	**70,097**	**X**	**72,488**
3.1 Receivables from banks	0	173	X	173
3.2 Receivables from customers	2,391	69,924	X	72,315
4. Hedges	X	X	0	0
5. Other assets	X	X	19	19
6. Financial liabilities	X	X	X	4,657
Total	**3,468**	**70,097**	**19**	**78,242**
of which: earned interest on impaired financial assets	***0***	***5,033***	***0***	***5,033***
of which: earned interest on financial leases	***0***	***395***	***0***	***395***

Notes

The line item "Earned interest on financial liabilities" includes interest on repurchase agreement transaction liabilities for 707 thousand euro, interest on the TLTRO transaction accrued during the 2020 fiscal year for 3,947 thousand euro.

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

1.2 Earned interest and similar income: other information

There are no additions or reductions from hedging operations.

1.2.1 Earned interest on financial assets in foreign currency

Line items/Values	Total 31/12/2020	Total 31/12/2019
Earned interest on financial assets in foreign currency	628	0

1.3 Interest expenses and similar expenses: breakdown

Line items/Technical forms	Liabilities	Securities	Other transactions	Total 31/12/2020
1. Financial liabilities valued at amortised cost	-7,800	-4,800	0	-12,600
1.1 Payables to central banks	0	X	X	0
1.2 Payables to banks	-1,244	X	X	-1,244
1.3 Payables to customers	-6,556	X	X	-6,556
1.4 Outstanding securities	X	-4,800	X	-4,800
2. Financial liabilities from trading	0	0	0	0
3. Financial liabilities measured at fair value	0	0	0	0
4. Other liabilities and funds	X	X	-157	-157
5. Hedges	X	X	-267	-267
6. Financial assets	X	X	X	0
Total	**-7,800**	**-4,800**	**-423**	**-13,023**
of which: interest expenses for lease liabilities	***0***	***0***	***156***	***156***

1.4 Interest expenses and similar expenses: other information

1.4.1 Interest expenses on liabilities in foreign currency

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

1.5 Interest expenses and similar expenses: differences related to hedges

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

Section 2 - Commissions - Line items 40 e 50

2.1 Commission income: breakdown

Types of services/Values	Total 31/12/2020
a) guarantees issued	468
b) credit derivatives	0
c) management, intermediation and consulting services:	5,333
1 trading of financial instruments	0
2 trading of foreign currencies	660
3 asset management	259
4 custody and management of Securities	128
5 depository bank	0
6 securities placement	621
7 receipt and transmission of orders	236
8 consulting	0
8.1 on investments	0
8.2 on financial structure	0
9 distribution of third party services	3,428
9.1 asset management	0
9.1.1 individual	0
9.1.2 collective	0
9.2 insurance products	2,841
9.3 other products	587
d) collection and payment services	6,492
e) servicing for securitizations	199
f) factoring services	0
g) fiscal year tax collection and payee services	0
h) asset management of multilateral exchange systems	0
i) maintenance and management of bank accounts	14,528
j) other services	2,413
Total	**29,433**

2.3 Commission expenses: breakdown

Services/Values	Total 31/12/2020
a) guarantees received	-803
b) credit derivatives	0
c) management and intermediation services:	-439
1. trading of financial instruments	-8
2. trading of foreign currency	-308
3. asset management	-124
3.1 own portfolio	0
3.2 delegated by third parties	-124
4. custody and management of securities	0
5. placement of financial instruments	0
6. off-site offer of financial instruments, products and services	0
d) payment and collection services	-1,547
e) other services	0
Total	**-2,789**

Section 3 - Dividends and similar income - Line item 70

3.1 Dividends and similar income: breakdown

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

Section 4 - Net trading result - Line item 80

4.1 Net trading result: breakdown

Transactions/Income components	Capital gains (A)	Trading profit (B)	Losses (C)	Trading losses (D)	Net income[(A+B) - (C+D)]
1. Financial assets from trading	**62**	**2,581**	**301**	**0**	**2,342**
1.1 Debt securities	0	1,762	0	0	**1,762**
1.2 Capital securities	0	0	0	0	**0**
1.3 Shares in mutual funds	0	0	0	0	**0**
1.4 Loans	62	0	99	0	**-37**
1.5 Other	0	819	202	0	**617**
2. Financial liabilities from trading	**0**	**0**	**0**	**0**	**0**
2.1 Debt securities	0	0	0	0	**0**
2.2 Liabilities	0	0	0	0	**0**
2.3 Other	0	0	0	0	**0**
3. Financial assets and liabilities: exchange rate differences	**0**	**0**	**0**	**0**	**0**
4. Derivative instruments	**0**	**0**	**5**	**0**	**-5**
4.1 Financial derivatives	0	0	5	0	**-5**
- on debt securities and interest rates	0	0	5	0	**-5**
- on capital securities and equity indexes	0	0	0	0	**0**
- on 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*
Total	**62**	**2.581**	**306**	**0**	**2.337**

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

Section 5 - Net hedging result - Line item 90

5.1 Net hedging result: breakdown

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

Income components/Values	Total 31/12/2019
of which: income from hedges on net positions	*0*

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

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

6.1 Gains (Losses) from disposals/repurchases: breakdown

Line items/Income components	Total 31/12/2020		
	Gains	Losses	Net income
A. Financial assets			
1. Financial assets measured at amortised cost	8,618	50	8,567
1.1 Receivables from banks	178	0	178
1.2 Receivables from customers	8,439	50	8,389
2. Financial assets measured at fair value with impact on total profits	330	0	330
2.1 Debt securities	330	0	330
2.2 Loans	0	0	0
Total assets	**8,947**	**50**	**8,897**
B. Financial liabilities valued at amortised cost			
1. Payables to banks	0	0	0
2. Payables to customers	0	0	0
3. Outstanding securities	78	0	78
Total liabilities	**78**	**0**	**78**

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

Section 7 - Net income of other financial assets and liabilities measured at fair value

This line item is not measured.

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

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

Transactions/Income components	Value adjustments (1)			Write-backs of value (2)		Total 31/12/2020
	First and second stage	Third stage		First and second stage	Third stage	
		Write-off	Other			
A. Receivables from banks	**-277**	**0**	**0**	**225**	**0**	**-51**
- Loans	-117	0	0	54	0	-63
- Debt Securities	-159	0	0	171	0	12
of which: impaired receivables purchased or originated	*-1*	*0*	*0*	*0*	*0*	*-1*
B. Receivables from customers	**-17,839**	**-3**	**-26,757**	**1,666**	**13,522**	**-29,412**
- Loans	-17,799	-3	-26,757	1,350	13,522	-29,687
- Debt securities	-40	0	0	315	0	275
of which: impaired receivables purchased or originated	0	0	0	0	0	0
Total	**-18,116**	**-3**	**-26,757**	**1,891**	**13,522**	**-29,464**

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

8.1a Net value adjustments due to impairment related to loans measured at amortised cost subject to Covid-19 aid measures: breakdown

Transactions/Income components	Net value adjustments			Total 31/12/2020
	First and second stage	Third stage		
		Write-off	Other	
1. Loans subject to forbearance conformant to GL	-9,248	0	-702	-9,950
2. Loans subject to other forbearance measures	0	0	0	0
3. Other loans	-5,491	0	-64	-5,555

Total at 31/12/2020	**-14,739**	**0**	**-766**	**-15,505**
Total at 31/12/2019	**0**	**0**	**0**	**0**

Notes
The table summarises value adjustments write-backs of value recognised due to impairment of receivables from customers.

8.2 Net value adjustments due to impairment related to financial assets measured at fair value with impact on total profits: breakdown

Transactions/Income components	Value adjustments (1)			Write-backs of value (2)		Total 31/12/2020
	First and second stage	Third stage		First and second stage	Third stage	
		Write-off	Other			
A. Debt securities	**-117**	**0**	**0**	**54**	**0**	**-63**
B. Loans	-159	0	0	171	0	**12**
- To customers	-1	0	0	0	0	**-1**
- To banks	0	0	0	0	0	**0**
of which: impaired receivables purchased or originated	*-17,799*	*-3*	*-26,757*	*1,350*	*13,522*	***-29,687***
Total	**-40**	**0**	**0**	**315**	**0**	**275**

Notes
The table summarizes the value adjustments and write-backs recognised due to the impairment of financial assets measured at fair value with impact on total profit.

8.2a Net value adjustments due to impairment related to financial assets measured at fair value with impact on total profits subject to Covid-19 aid measures: breakdown

Transactions/Income components	Net value adjustments			Total 31/12/2020
	First and second stage	Third stage		
		Write-off	Other	
1. Loans subject to forbearance conformant to GL	0	0	0	0
2. Loans subject to other forbearance measures	0	0	0	0
3. Other loans	0	0	0	0
Total at 31/12/2020	**0**	**0**	**0**	**0**
Total at 31/12/2019	**0**	**0**	**0**	**0**

Section 9 - Profit (Losses) from contract modifications without derecognition - Line item 140

9.1 Profit (Losses) from contract modifications: breakdown

Line items/Income components	31/12/2020		
	Profit	Loss	Net income
A. Financial assets			
1.1 Receivables from customers	47	0	47
Total	**47**	**0**	**47**

Notes
The table shows the net income deriving from contract modifications on financial instruments that do not require derecognition from the balance sheet of the assets, but only a different accounting method that entails recognition in the income statement of the difference between the booking value and the current value of the modified cash flow, discounted at the original interest rate.

Section 12 - Administrative costs - Line item 190

12.1 Personnel costs: breakdown

Type of expense/Values	Total 31/12/2020
1) Employees	-27.,727
a) salaries and wages	-19,182
b) social security expenses	-5,043
c) severance pay	0
d) pension costs	0
e) al location to employee severance pay	-1,234
f) al location to pension funds and similar commitments:	0

- defined contribution plans	0
- defined benefit plans	0
g) payments to external complementary pension funds	-777
- defined contribution plans	-777
- defined benefit plans	0
h) costs deriving from payment agreements based on own equity instruments	0
i) other employee benefits	-1.490
2) Other personnel	-117
3) Directors and Statutory Auditors	-670
4) Retired personnel	0
5) Recovery of expenses for personnel temporarily transferred to other companies	252
) Recovery of expenses for third party personnel temporarily transferred to the company	-128
Total	**-28,390**

12.2 Average number of employees by category

Description	Total 31/12/2020
Employees	**385**
a) Managers	4
b) Middle management	88
c) Remaining employees	293
Other personnel	**10**
Total	**395**

Precise number of employees per category

Description	Total 31/12/2020
a) Managers	**385**
b) Middle management	4
c) Remaining employees	88
Other personnel	293
a) Managers	**10**
Total	**395**

12.4 Personnel costs: other employee benefits

Type of expense/Values	Total 31/12/2020
1) Meal vouchers for employees	-523
2) Loyalty bonus for employees	0
3) Other employee costs	-967
Total	**-1.490**

12.5 Other administrative costs: breakdown

Line items/Values	Total 31/12/2020
1. Insurance and security	-683
2. Advertising and entertainment	-1,175
3. Rent for real property	-69
4. Maintenance, repairs, transformation of real and personal property	-5,911
5. Electricity, heating and cleaning services	-942
6. Telex, telephone and postage	-946
7. Costs for data processing	-3,365
8. Stamped paper and stationary	-307
9. Fees to outside professionals	-2,866
10. Costs for credit recovery	0
11. Technical assistance and maintenance of software products	-3,162
12. Information and registry searches	-1,530
13. Charitable contributions allocated to the income statement	-7
14. Expenses for treasury assets	-1
15. Travel and transportation expenses	-259

16. Indirect taxes	-4,810
17. Other costs	-8,268
Total	**-34,302**

The line item "Other costs" includes:

Line items/Values	Total 31/12/2020
Contribution in favour of the Resolution fund – Ordinary	1,542
Contribution in favour of the resolution fund – Extraordinary	487
Contribution to the DGS fund	2,511
Expenses for Internal Audit service (Cambiano Group)	605
Management and coordination expenses (Cambiano Group)	1,174
Total	**6,319**

Section 13 - Net allocations to risk and expense funds - Line item 200

13.1 Net allocations for credit risk related to commitments to disburse funds and financial guarantees issued: breakdown

Transactions/Income components	Value adjustments (1)			Write-backs of value (2)		Total 31/12/2020
	First and second stage	Third stage		First and second stage	Third stage	
		Write-off	Other			
A. Commitments to disburse funds	-2	0	0	0	0	-2
B. Financial guarantees issued	-345	0	-212	58	150	-349
Total	**-347**	**0**	**-212**	**58**	**150**	**-351**

13.2 Net allocations related to other commitments and other guarantees issued: breakdown

Transactions/Income components	Value adjustments (1)			Write-backs of value (2)		Total 31/12/2020
	First and second stage	Third stage		First and second stage	Third stage	
		Write-off	Other			
A. Lending	0	0	0	0	0	0
B. Guarantees issued	0	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**0**	**0**

13.3 Net allocations to risk and expense funds: breakdown

Line items/Values	Total 31/12/2020
1. Allocations to pending litigation	-139
2. Allocations to interest expenses on IRES for taxation year 2009	0
3. Other allocations	-13
4. Write-backs of provisions for pending disputes	24
Total	**-129**

Section 14 - Net adjustments/write-backs to property, plants and equipment - Line item 210

14.1 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	-5,430	0	0	**-5,430**
1. With a functional use	-5,429	0	0	**-5,429**
- Owned	-3,329	0	0	**-3,329**
- Right of use purchased through leasing	-2,100	0	0	**-2,100**
2. Held as investments	-1	0	0	**-1**
- Owned	-1	0	0	**-1**
- Right of use purchased through leasing	0	0	0	**0**
3. Inventories	X	0	0	**0**
Total	**-5,430**	**0**	**0**	**-5,430**

Section 15 - Net adjustments/write-backs to intangible assets - Line item 220

15.1 Net value adjustments to intangible assets: breakdown

Assets/Income component	Depreciation (a)	Value adjustments due to impairment (b)	Write-backs of value (c)	Net income (a+b-c)

A. Intangible assets	-635	0	0	**-635**
A.1 Owned	-635	0	0	**-635**
- Generated internally by the company	0	0	0	**0**
- Other	-635	0	0	**-635**
A.2 Right of use purchased through leasing	0	0	0	**0**
Total	**-635**	**0**	**0**	**-635**

Section 16 - Other management income and expenses - Line item 230

16.1 Other management expenses: breakdown

Line items/Values	Total 31/12/2020
1. Contingent liabilities and non-existent assets	-1,176
2. Use of guarantee funds	0
3. Depreciation of third party assets	-202
Total	**-1,377**

16.2 Other management income: breakdown

Line items/Values	Total 31/12/2020
1. Recovery of expenses	4.107
4. Contingent assets and non-existent liabilities	101
5. Other income	1.507
Total	**5.715**

Section 17 – Profit / Loss from equity investments - Line item 250

17.1 Profit (loss) from equity investments: breakdown

Income component/Values	Total 31/12/2019
A. Income	**300**
1. Revaluations	300
2. Gains from disposals	0
3. Write-backs of value	0
4. Other income	0
B. Expenses	**0**
1. Write-downs	0
2. Value adjustments from impairment	0
3. Losses from disposals	0
4. Other expenses	0
Net income	**300**

Section 18 - Net income from fair value measurement of property, plants and equipment and intangible assets - Line item 260

18.1 Net income from measurement (or revaluation) at fair value or at probable realisable value of property, plants and equipment and intangible assets: breakdown

Assets / Income component	Revaluations (a)	Write-downs (b)	Exchange rate differences		Net income (a-b+c-d)
			Positive (c)	Negative (d)	
A. Property, plants and equipment	**0**	**-166**	**0**	**0**	**166**
A.1 With a functional use	0	0	0	0	**0**
- Owned	0	0	0	0	**0**
- Right of use purchased through leasing	0	0	0	0	**0**
A.2 Held as investments	0	-166	0	0	**166**
- Owned	0	-166	0	0	**166**
- Right of use purchased through leasing	0	0	0	0	**0**
A.3 Inventories	0	0	0	0	**0**
B. Intangible assets	**0**	**0**	**0**	**0**	**0**
B.1 Owned	0	0	0	0	**0**
- Generated internally by the company	0	0	0	0	**0**
- Other	0	0	0	0	**0**
Total	**0**	**-166**	**0**	**0**	**166**

Section 19 - Adjustments to value of goodwill - Line item 270

19.1 Adjustments to value of goodwill: breakdown

Income component/Values	Total 31/12/2020
Pistoia branch	0
San Giovanni Valdarno branch	0
Bologna branch	-1,772
Turin branch	0
Rome branch	-1,368
Total	**-3,140**

Notes
Le value adjustments in the table above show the results of assessments regarding the recoverability of goodwill booked to the balance sheet.

Section 20 - Gains (losses) from the disposal of investments - Line item 280

20.1 Gains (losses) from the disposal of investments: breakdown

Income component/ Values	Total 31/12/2020
A. Property, plants and equipment	15
- Gains from disposals	15
- Losses from disposals	0
B. Other assets	-8
- Gains from disposals	0
- Losses from disposals	-8
Net income	**7**

Section 21 - Fiscal year income tax on current operations - Line item 300

21.1 Fiscal year income tax on current operations: breakdown

Income components/Values	Total 31/12/2020
1. Current income taxes (-)	-146
2. Variation of current taxes for previous fiscal years (+/-)	0
3. Reduction of current taxes for this fiscal year (+)	0
3 bis. Reduction of current taxes for fiscal year for tax credits as per Law n. 214/2011 (+)	0
4. Variation of pre-paid taxes (+/-)	86
5. Variation of deferred taxes (+/-)	1,927
6. Fiscal year income tax (-) (-1+/-2+3+3 bis+/-4+/-5)	**1,867**

Notes
Current taxes are measured in accordance with current tax legislation.

Summary of fiscal year income taxes, by type of tax

Income components/Values	Total 31/12/2020
- IRES (corporate income tax)	1,724
- IRAP (tax on productive activities)	143
- Other taxes	0
Total	**1,867**

21.2 Reconciliation between theoretical tax burden and effective tax burden on the balance sheet

Line items/Values	IRES (corporate income tax)	Tax rate	IRAP	Tax rate
(A) Gain (Loss) from current operations before taxes	6,842		6,842	
(B) Income taxes – Theoretical burden	1,881	*27.50%*	381	*5.57%*
Reductions of tax base	17,503	*27.50%*	44,355	*5.57%*
Additions to tax base	11,604	*27.50%*	39,986	*5.57%*
Tax base	942		2,472	
Income taxes – effective tax burden	-259	*27.50%*	-138	*5.57%*
Pre-paid/deferred taxes	1,983	*27.50%*	281	*5.57%*
Total taxes	**1,724**		**143**	
Overall tax	**1,867**			
Effective tax rate	**27.29%**			

Section 23 - Profit (loss) for the fiscal year attributable to third parties - Line item 340

23.1 Detail of line item 330 "Profit (loss) for the fiscal year attributable to third parties"

Company name	Total 31/12/2019
Consolidated equity investments with significant third party shareholdings	**38**
1. Immobiliare 1884 S.r.l.	0
2. Cabel Leasing S.p.A.	38
Other equity investments	**0**
Total	**38**

PART D – Overall consolidated profitability

ANALYTICAL SCHEDULE OF OVERALL PROFITABILITY

	Line items	31/12/2020 (*)
10	**Profit (loss) for the fiscal year**	8,708
	Other income components without reversal to income statement	
20	Capital securities measured at fair value with impact on total profits:	-1,559
	a) variations of fair value	*-1,559*
	b) transfer to other components of shareholders' equity	*0*
30	Financial liabilities measured at fair value with recognition of income effects through profit and loss (variations of own creditworthiness)	0
	a) variations of fair value	*0*
	b) transfer to other components of shareholders' equity	*0*
40	Hedges on capital securities measured at fair value with impact on total profits	0
	a) variations of fair value (hedged instrument)	*0*
	b) variations of fair value (hedging instrument)	*0*
50	Property, plants and equipment	0
60	Intangible assets	0
70	Defined benefit assets	-200
80	Noncurrent assets and groups of assets in the course of divestment	0
90	Share of valuation reserves of equity investments measured on the basis of shareholders' equity	0
100	Income taxes related to other income components without reversal to the income statement	0
	Other income components with reversal to the income statement	
110	Hedging of foreign investments:	0
	a) variations of fair value	*0*
	b) reversal to the income statement	*0*
	c) other variations	*0*
120	Exchange rate differences:	0
	a) variations of value	*0*
	b) reversal to the income statement	*0*
	c) other variations	*0*
130	Hedging of cash flows:	0
	a) variations of fair value	*0*
	b) reversal to the income statement	*0*
	c) other variations	*0*
	of which: income of net positions	*0*
140	Hedging instruments (unmeasured instruments)	0
	a) variations of fair value	*0*
	b) reversal to the income statement	*0*
	c) other variations	*0*
150	Financial assets (other than capital securities) measured at fair value with impact on overall profitability:	-57
	a) variations of fair value	*51*
	b) reversal to the income statement:	*0*
	- adjustments due to impairment	*0*
	- gains/losses from use	*0*
	c) other variations	*-108*
160	Noncurrent assets and groups of assets in the course of divestment:	0
	a) variations of fair value	*0*
	b) reversal to the income statement	*0*
	c) other variations	*0*
170	Share of valuation reserves of equity investments measured on the basis of shareholders' equity	0
	a) variations of fair value	*0*
	b) reversal to the income statement:	*0*
	- adjustments due to impairment	*0*

	Line items	31/12/2020 (*)
	- profit/loss from use	*0*
	c) other variations	*0*
180	Income tax related to other income components with reversal to the income statement	554
190	**Total other income components**	-1,263
200	**Overall profitability (Line item 10 + 190)**	7,446

(*)As this is the first fiscal year for which the consolidated financial statements are prepared, in the new composition of the Cambiano Banking Group, there is no comparative information available and therefore it has been omitted.

____

Notes
International accounting standards allow allocating financial instruments to different business models to which accounting standards are applied that result in the allocation of costs or income directly to special reserves of shareholders' equity without going through the income statement.
The chart shows the overall result, considering income items matured and realized in the fiscal year that were recognised directly in shareholders' equity, sterilizing the components that already matured and thus which had been recognised in shareholders' equity in previous fiscal years, but which are the object of a second and definitive allocation to the income statement (reversal) at the time effectively realized.

PART E – Information on risks and the relative hedging policies

Introduction

The Group 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 Group's internal control system ensures implementation of corporate strategies and policies and is composed of all the regulations, procedures and organisational structures aimed at compliance with sound and prudent management principles.
Corporate Bodies have the primary responsibility for ensuring, in line with their respective specific competencies, the completeness, adequacy, efficiency and reliability of the internal control system.
The Bank has implemented a traditional type of governance model that entails a Board of Directors, a Board of Statutory Auditors and General Management.
The Board of Directors is responsible for Bank strategic supervision and management, along with General Management, and the Board of Statutory Auditors is responsible for monitoring activities.
The Board of Directors, within the scope of the guidelines set out by the Parent Company, defines the business model by approving an annual strategic business plan and budget, aware of the risks to which this model exposes the Bank and comprehending the processes by means of which such risks are identified and measured. The Board of Directors, again, following the guidelines decided at Group level, defines and approves strategic policies and periodically reviews them, decides on risk propensity and the relative tolerance levels as well as the risk management policies, ensuring that the Bank's structure is consistent with the business carried out and with the business model adopted.
Risk government policies are set forth in specific regulations/policies that are subject to approval by the Board of Directors.
Uptake of new products and services, launching of new activities, introduction into new markets and, in general, all more significant activities are always subject to approval by the Board of Directors.
Periodically, the Board of Directors verifies that the risks assumed by the Bank in terms of capital adequacy, liquidity and risk-return ratio for management activities are consistent with the risk propensity defined in strategic planning and with regulatory levels.
Furthermore, the Board of Directors verifies compliance with operating limits defined for the assumption of the various types of risk. The Board of Directors ensures consistency between the strategic plan, the business model, the Risk Appetite Framework, the ICAAP process, the budget and the corporate organisation and the internal control system, taking in consideration the evolution of the internal and external conditions within which the Bank operates.
The Board of Directors is aided by the Risk Committee, a committee within the Board itself that provides the Board with advisory support and proposal regarding risks and the internal control system.
General Management fully comprehends corporate risks and is responsible for implementing the strategic policies and risk management policies defined by the Board of Directors. In particular, General Management proposes the operating limits with respect to the assumption of the various types of risk, taking into account the stress tests carried out by the various designated function, in accordance with 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 organisation that provides for a complete and functional internal control system.
In particular, the Bank's internal control system is composed of three different levels:

- First level controls (line): aimed at ensuring that operations are carried out correctly. These controls are performed by operating structures or incorporated into the procedures and information technology systems, or carried out during back office activities.
- Second level controls on risks and conformity, also aimed at ensuring, among other things:
    - correct implementation of the risk management process;
    - respect of operating limits assigned to the various functions;

- conformity of corporate operations to standards, including self-governance regulations.

Second level controls as assigned to the Risk Management Service, the Compliance Service and the Anti-Money Laundering Service. Given the size and in compliance with the "principle of proportionality", the Compliance function is carried out in co-sourcing with META Srl, a company that meets all the prerequisites in terms of professional qualification and independence. The functions designated to controls are separate from production functions; they contribute to defining the risk management policies and the risk management process.

- Third level controls (internal auditing): aimed at identifying violations of procedures and regulations, and at periodically evaluating the completeness, adequacy, efficiency and reliability of the internal control system and the information technology system.

This activity is carried out by the Internal Audit Service based on the yearly auditing plan approved by the Board of Directors or through spot checks on the operations of the functions involved, requested during the year. Subsequent to the restructuring of the Bank Group, the Internal Audit office has been brought back within the structure of the Bank parent company. Given the size and in accordance with the "proportionality principle", the internal audit function is carried out in co-sourcing with META S.r.l., a company that meets all the prerequisites in terms of professional qualification and independence.
Corporate control functions in charge of second and third level controls have the authority, resources and competencies required to carry out their tasks.
In conformity with Vigilance provisions, the company organisational structure requires that company control functions report back to the Board of Directors in terms of both hierarchy and functions.
Control functions have access to all the activities carried out by the Bank, both in the central offices and in peripheral offices, as well as to any information relevant to carry out controls.
In accordance with Law 231/01, there is a Vigilance Committee, which is a collective body in charge of assessing the efficiency of organisational measures adopted by the Bank to avoid involvement in sanctionable actions pursuant to Law 231 of 2001.
As set forth in the Organisational Model, the committee periodically reports to the Board of Directors.
In compliance with the III Tier provisions, the Cambiano Banking Group has written up the Information Document regarding the 2020 Consolidated financial statements, published on the web site www.bancacambiano.it.

Section 1 – Risks of accounting consolidation

Quantitative information
A. Credit quality

A.1 Exposures for impaired and in bonis receivables: amounts, value adjustments, dynamics and economic distribution

A.1.1 Distribution of financial assets by the portfolio to which they belong and by credit quality (balance sheet values)

Portfolios/quality	Non-performing loans	Probable defaults	Impaired overdue positions	In bonis overdue positions	Other in bonis positions	Total
1. Financial assets measured at amortised cost	97,542	66,632	3,648	32,173	3,339,526	3,539,521
2. Financial assets measured at fair value with impact on total profits	0	0	0	0	173,030	173,030
3. Financial assets measured at fair value	0	0	0	0	0	0
4. Financial assets obligatorily measured at fair value	0	0	0	0	69,938	69,938
5. Financial assets in course of divestment	0	0	0	0	0	0
Total 31/12/2020	**97,542**	**66,632**	**3,648**	**32,173**	**3,582,495**	**3,782,489**

Notes
The table shows the classification by credit quality for the entire portfolio of financial assets, with the exception of equity instruments and of shares in mutual funds, equal to 28,991 thousand euro.
The values 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				In bonis			Total (net exposure)
	Gross exposure	Overall value adjustments	Net exposure	Overall Write-offs	Gross exposure	Overall value adjustments	Net exposure	
1. Financial assets measured at amortised cost	286,894	119,073	167,822	0	3,399,144	27,444	3,371,699	**3,539,521**

Portfolios/quality	Impaired				In bonis			Total (net exposure)
	Gross exposure	Overall value adjustments	Net exposure	Overall Write-offs	Gross exposure	Overall value adjustments	Net exposure	
2. Financial assets measured at fair value with impact on total profits	0	0	0	0	173,143	113	173,030	**173,030**
3. Financial assets measured at fair value	0	0	0	0	0	0	0	**0**
4. Financial assets obligatorily measured at fair value	0	0	0	0	0	0	69,938	**69,938**
5. Financial assets in course of divestment	0	0	0	0	0	0	0	**0**
Total 31/12/2020	**286,894**	**119,073**	**167,822**	**0**	**3,572,286**	**27,557**	**3,614,668**	**3,782,489**

Notes
The table shows the classification by credit quality for the entire portfolio of financial assets, with the exception of equity instruments and of shares in mutual funds, equal to 28,991 thousand euro.
The values shown are the balance sheet values, net of the relative write-downs.

A.1.2 bis Distribution of credit exposure by assets with poor credit quality

Portfolio quality	Assets with evidently poor credit quality		Other assets
	Cumulative losses	Net exposure	Net exposure
1. Financial assets held for trading	0	0	65,348
2. Hedges	0	0	0
Total	**0**	**0**	**65,348**

Section 2 – Risks of prudential consolidation

1.1 Credit risk
Qualitative information

1. General information
The Group's strategies, the Risk Appetite Framework, and the faculties and rules for loan disbursement and credit management are aimed at:
– meeting the objective of increasing sustainable credit activities, consistently with risk propensity and creation of value;
– portfolio diversification, limiting the concentration of exposures on single counterparties/groups, on single sectors of economic activity;
– an efficient selection of economic groups and individuals borrowers, through an accurate analysis of creditworthiness aimed and limiting the risk of insolvency;
– favouring credit interventions aimed at supporting the real economy and the production system;
– constantly monitoring loan relations, both through IT procedures and by means of the systemic monitoring positions, in order to be able to immediately grasp any symptoms of imbalance and promote corrective actions aimed at preventing possible impairment.
The quality of the credit portfolio is constantly monitored by implementing precise operational methods in each stage of credit management.

2. Credit risk management policies
2.1 Organisational aspects
The factors that generate credit risk are tied to the possibility that an unexpected variation in the creditworthiness of a counterparty, to which the Bank has an exposure, may generate a corresponding unexpected variation of the current value of the respective credit exposure.
Therefore, credit risk is not limited only to the counterparty's insolvency, but also includes the mere deterioration of its creditworthiness.
Taking on credit risk and risk management are governed by formalizing the underlying process, detailing the roles of the corporate bodies involved, defining the first controls and rendering explicit the roles of all control functions.

During the 2020 fiscal year, the foundations of the entire credit process were revised, with the following specific modifications: (i) creation of the Credit Management Office, that unifies all of the various credit functions (including the office for Non-Performing Loans), previously subdivided – also in terms of organisational location – on multiple hierarchical levels; (ii) updating of the regulations regarding "Credit Risk" and "Proxies and Powers – regarding credit lines and loan disbursements"; (iii) updating of the criteria and the process for granting forbearance measures, by adopting the new Policy regarding forbearance, and iv) updating of the Policy for the classification and evaluation of the credit portfolio.

The Non-Performing Loans office, reporting to Credit management, is composed of the Legal and Litigation Services Offices and the Problem Debts Management offices and Credits under Special Administration office. The Problem Debts Management Office manages, at a corporate level and according to methods defined by internal regulations, every single problem debt and loans that present anomalous situations, regardless of their classification as performing or non performing, with the exception of non-performing loans that are managed by the Legal and Litigation Services Office. Problem Debts Management also Supports the Network in carrying out peripheral monitoring activities on single anomalies and problem loans, as well as in defining and implementing corrective actions aimed at ensuring sound administration of the credit process. This activity is aimed at favouring an anticipatory management of credit risk and implementing management strategies aimed at improving the Bank's credit quality. The corporate organisation system assigns management of relationships classified as Probable Default and Non-Performing respectively to the Problem Debt Monitoring Office and the Legal and Litigation Services Office. Impaired loans are managed based on Service regulations and in accordance with the specific impaired loan assessment policy (updated during the meeting of the Board of Directors held on 28/10/2020).

An office to manage credits in special administration has been created within the Problem Debt area, tasked with managing, based on methods set forth by internal regulations and corporate bodies, those exposures with peculiar characteristics that qualify them for management by this specific function. Exposures are assigned to this office regardless of the specific classification, but taking into account the significance that they have within bank exposures, in terms of risk profile and of the actions to be taken.

The Credit Control Office, reporting to Credit Management, oversees the credit risk monitoring process, in order to detect, even in advance, possible critical evolutions; this activity is carried out within the scope of second instance first level controls and with the aim of providing credit manager and the Problem Debt Management function with all the information required to take necessary measures, and the Risk Management function with all the information required to carry out second level control on credit risks.

During the 2020 fiscal, the Early Management Office was created, reporting to Credit Management, with the aim of controlling the process for concession of forbearance measures, in order to allow identifying forbearance measures that are "economically sustainable", as well as ensuring the pro-active management of the first signs of default and weakness of the borrowing counterparty. This function is also tasked with verifying the existence of requirements confirming "financial difficulty" and the economic sustainability of the exposures in moratorium subsequent to the Covid-19 pandemic.

Within the scope of the risk taking and management procedures adopted, the first safeguard filter takes place in the Branch office, through constant and ongoing dialogue with the customers, by means of both internal and external information sources and with the aid of information technology procedures.

During the credit preliminary assessment and review processes, the Bank analyzes the customer's financial needs and the documents required to carry out an adequate assessment of the creditworthiness. The decision to grant a loan is therefore based both on the analysis of all the information regarding the economic entity, and on the basis of direct knowledge of the customer and of the economic operating context. All preliminary activities regarding the operational process that lead up to disbursement and periodic review of the loan, are developed with the aim of granting a congruous loan to each individual applicant (and/or group), providing for the most appropriate types of loan and a adequate remuneration for the risk taken.

Within the scope of the "Credit Risk Regulations", the Board of Directors has defined the decision-making autonomy of each body delegated to granting loans. Observance of the powers authorized by the Board of Directors is guaranteed by automatic controls provided for in the IT procedure recently implemented with the new "Easy Loans" application used to manage the preliminary process for loan disbursement.

Effects deriving from the Covid-19 pandemic

As regards credit risk, the Bank was favourable to all the initiatives aimed at supporting the real economy set forth by the Government.

All forbearance is defined to respond to the disadvantage deriving from the temporary slowdown of the economic cycle and any possible effects on liquidity, as rapidly as possible.

The potential effects on the Bank's credit risk profile are mitigated by:

▪ the acquisition of government guarantees in compliance with the mechanisms set forth by the various governments;

▪ the *ex ante* and on-going evaluation of the customer's risk profile.

2.2 Management, measurement and control systems

The entire credit and counterparty risk management process (risk measurement, application and appraisal, disbursement, performance control and monitoring of exposure, review of credit lines, classification of risk positions, intervention in case of anomalies, classification criteria, evaluation and management of impaired exposures), is formalised in the internal regulations of both Banca Cambiano 1884 S.p.a. and Cabel Leasing S.p.a.
Second level controls are ensured by the Risk Management office of Banca Cambiano 1884 S.p.a., to which risk management for Cabel Leasing has also be outsourced, as of November 2018; 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.
For detailed information regarding the individual management, measurement and control systems, please refer to the contents of Section 1.4 of Part E of the explanatory notes of the Banca Cambiano 1884 S.p.a. financial statements and in Section 3.2.2 of Part D of the explanatory notes of the Cabel Leasing S.p.a. financial statements.
The Bank Group adopts standards methods to determine the minimum capital requirement for credit risk. As regards the internal capital adequacy evaluation process (ICAAP), the Group 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.

Effects deriving from the Covid-19 pandemic

In line with the forecasts outlined by European and Italian Supervisory Authorities, from the start of the crisis caused by the Covid-19 pandemic, the Group has seen the need to closely monitor and evaluate counterparties who benefited from the aid measures made available through government decrees. In fact, the concession of moratoria on payments has created a difficulty in terms of intercepting some anomalies and triggers for potential difficulty or deterioration of the counterparty for the main monitoring systems (for example: Early Warning and Internal Rating System.
As it was impossible to revise the software quickly, appropriate management actions were implemented to intercept possible future customer difficulties, both in the Corporate and in the Retail sector, and, specifically, an analytical assessment process was started for exposures benefitting from moratoria, in order to assess the significant increase in credit risk and, in particular, the forbearance measures, in compliance with current regulations and European supervisory recommendations, and to continue actively supporting counterparties in temporary difficulty due to the consequences of Covid-19.
Finally, during 2020 other actions were taken to safeguard credit risk and simultaneously support SME and Corporate customers, pro-actively offering government-backed loans with the access procedures set out in the government decrees.

2.3 Methods for the 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 amortised 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 Group'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.
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 Group 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 Group'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 Group companies, 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 Group models. This parameter also includes the expected direct costs of recovery;
- EAD (Exposure at Default) - EAD is treated differently based on the type of exposure and maturity: exposures with a "deterministic" repayment schedule with a known cash flow and maturity and "stochastic" exposures with an unknown cash flow and/or unknown maturity. For exposures with a deterministic repayment schedule EAD is defined by using the repayment schedule based on the evolution of contractual cash flows. For exposures with an unknown repayment plan (for example, not based on instalments, such as bank accounts) EAD is calculated based on special models that take into account both the so-called "on balance" value of the exposure and the "off balance" component considered potentially risky due to the possibility of the counterparty of increasing its borrowing position.

All reasonable and demonstrable information available at the balance sheet date, without incurring excessive cost or effort, are is taken into consideration for the purpose of calculating expected losses. The information used must include past events, current conditions and forecasts regarding future economic conditions.

Effects deriving from the Covid-19 pandemic

Assessment of significant increase of credit risk (SICR)

As regards the assessment of significant increase of credit risk (SICR), the only variation that occurred during the 2020 fiscal year in the model used by the Group is that, in accordance with EBA recommendations contained in the "Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis" dated 4 April 2020, moratoria granted to customer *ex lege* and in application of category agreements (ABI Agreements), were not considered as indicators of financial difficulty in the classification of individual exposures within the scope of forborne exposures (and consequently included in Stage 2).

Measurement of expected losses

As regards the estimation of expected losses at 31 December 2020, the Group incorporated macro-economic scenarios that included the effects of the COVID-19 health emergency into its IFRS impairment model, as required by Vigilance authorities.
Moreover, the exposures for which moratoria were extended, along with government-backed loans disbursed (in the measure of 80%, 90% or 100%) as per emergency legislation, were subject to analysis by the Risk Management office, resulting in the approval on the part of the Bank's Board of Directors of a specific ECL add-on of 8.7 million

(comprehensive of the impact of inclusion of forward looking components on the positions in question) and by Cabel Leasing of 452 thousand euro.
The estimate of the impact of the pandemic on the 2020 financial statements was calculated simulating a 12 month "slide" into Stage 3 of moratoria loans and government-backed loans both in Stage 2 in the 2020 financial statements, applying a Probability of Default (PD) at 12 months divided by sector.
The amount of the write-downs thus calculated (+ 6.5 mln/€ for the Bank and + 436 thousand/€ for Cabel Leasing on moratoria loans and + 2.2 mln/€ for the Bank and + 16 thousand/€ on government-backed loans) was already entered as an add-on in the write-downs on receivables at 31/12/2020.

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.
The methods used to manage guarantees and the relative operating processes are outlined in the 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, Banca Cambiano 1884 S.p.a. 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.
Personal guarantees consist mainly of sureties given by individuals or companies. Guarantees issued by specialized bodies (for example: Confidi) and by Financial institutions (for example: government guarantee through Mediocredito Centrale pursuant to law 662/1996) are also used and, lastly, so are the government guarantees issued following the crisis engendered by the Covid-19 pandemic.
To date, the Bank does not use credit derivatives to cover or transfer the risk for credits in portfolio.
The above controls are performed by centralized structures that are separate from those that disburse and review the loan; the Internal Auditing Office ensures that assets are managed properly and prudently by means of periodic controls.
As regards Cabel Leasing S.p.a., in order to mitigate credit risk, all the information required to assess the creditworthiness of the borrower in terms of assets and income is gathered during the application and appraisal stage. Guarantees backing financial leasing transactions are taken into consideration during the initial appraisal process described above. Credit risk is mitigated by the presence of the asset that remains the property of the lessor until the final option to purchase is exercised; credit risk is further mitigated by the guarantees provided by banks with stipulated agreements and, if the statement of assurance requires it, also by acquiring personal guarantees from third parties. During the 2020 fiscal year, state-backed guarantees issued following the crisis due to the Coivd-19 pandemic were also acquired.

3. Impaired receivables

3.1 Management strategies and policies

As regards the classification of receivables, the Cambiano Banking Group applies criteria conformant to International accounting principles and Vigilance Regulations.
Impaired receivables include receivables classified as non-performing, probable defaults and overdue and/or overdrawn for more than ninety days, in accordance with Bank of Italy regulations and in accordance with IAS/IFRS and European Vigilance provisions.
The definition of impaired receivables, as set forth by Bank of Italy in Circular 272/2008 (and subsequent updates) is also consistent with the definition of impaired financial assets contained in the IFRS9 accounting principle, with consequent classification of all impaired receivables within Stage 3.
During 2015, Bank of Italy issued the 7th Update of Circular n. 272/2008, which revised previous classifications for impaired credits and introduced the so-called forbearance concept, transposing the definitions introduced by the Implementing Technical Standards (abbreviated to ITS) issued by the European Banking Authority (EBA).
The update aims to reduce the existing discretionary margins in accounting and prudential definitions applied in the various member countries, and facilitate data comparability at a EU level. In particular, the regulations requires the

identification, as regards both performing and non-performing loans, call for identification of loan disbursement relations respectively defining the categories of "Forborne performing exposures" (performing loans granted) and "Non-performing exposures with forbearance measures" (impaired loans subject to forbearance).
The regulations define as "forbearance measures" changes to the original contract terms and conditions or total or partial loan refinancing, granted to a debtor who is or is about to enter into difficulty in terms of respecting financial obligations. In terms of classification of impaired loans, the Bank has also transposed the changes made to definitions introduced by the 7th Update of Bank of Italy Circular n. 272/2008.
Specifically, impaired financial assets are divided into the categories "non-performing", "probable default" and "overdue/overdrawn exposures", based on the following criteria:
▪ Non-performing loans: the overall on-balance sheet and off-balance sheet exposures vis-à-vis a customer in a state of insolvency (even if not judicially ascertained) or in essentially comparable situations, regardless of any loss forecasts formulated by the Bank.
▪ Probable defaults watchlist ("Unlikely to pay): classification in this category is, first of all, the result of the Bank's judgment regarding the unlikelihood that, without recourse to measures such as enforcement of guarantees, the debtor fully pays back the credit (the principal and/or the amount of interest payable). This evaluation must be made aside from the presence of any amounts (or instalments) overdue and not paid. Therefore, it is not necessary to wait for an explicit sign of anomaly (failure to pay), if there are elements that imply a situation of probable default on the part of the debtor (for example, a crisis in the debtor's industry sector).
▪ Overdue and/or past due impaired accounts: cash loans, other than those classified as non-performing or probable defaults, which, at the date of reference of the notification have been overdue or overdrawn for over 90 days. Overdue and/or overdrawn exposures may be determined with reference to either an individual customer or a single transaction; the Bank adopts the "by debtor" approach, as described here below. Overdue or overdrawn positions must be characterized by the continuity of the condition. In particular, as regards exposures with repayment in instalments, the unpaid instalment bearing the greatest delay is used for the purpose of the necessary calculations. If more than one exposure that has been overdue or overdrawn for over 90 days refer to the same customer, the longest overdue position on which calculations are based. As regards the opening of "revocable" current-account credit facilities where the credit ceiling has been exceeded (also due to the capitalization of interest), the days of overdraft are calculated starting from the first day of missed payment of the interest that determines overdraft, or starting from the date of the first request to repay the principal, whichever of the two comes first.
Overall exposure vis-à-vis a debtor must be considered overdue and/or overdrawn if, at the date of reference of the notification, the larger of the two following values is equal to or greater than the 5% threshold:
a) average of the overdue and/or overdrawn amounts on the entire exposure, measured on a daily basis over the last previous quarter;
b) amount overdue and/or overdrawn on the entire exposure referred to the date of reference of the notification.
Within the scope of the three categories of impaired loans, in conformity with the regulations, "Non-performing exposures with forbearance measures" are identified. Therefore, the classification "forborne non-performing" is not a category of impaired loans in itself, but is instead an additional attribution, applicable to positions in any one of the above-mentioned three categories. Information regarding impaired loans has been integrated into the information technology system with the aid of specific instruments that support management of irregular exposures and track their conditions. To determine the recoverable value of impaired receivables due from customers measured at amortised cost, within the frame work of its evaluation policies, the Group uses assessment processes and methods characterized by subjective and estimation elements for some variables such as, mainly, expected cash flows, expected recovery times and the likely realizable value of guarantees, where present, which, if modified, could vary the final recoverable value; this determination was based on the use of information available at the date of assessment, taking into due account the possible effects of the pandemic crisis. Detailed information regarding the impaired financial assets of Gruppo companies, please refer to the contents of Section 1 of Part E of the explanatory notes to the Banca Cambiano 1884 S.p.a. financial statements and in Section 3 of Part D of the explanatory notes to the Cabel Leasing S.p.a. financial statements.

3.2 Write-offs

As regards impaired receivables, the Group 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 Group's effective interests. This is the case, for example, in the event of measures that are not under appeal, within the scope of insolvency procedures, based on which a receivable amount lower than the book amount is recognised as due.
Furthermore, the Group has provided for the possibility, on an annual basis, of defining portfolios of impaired receivables to be written off, partially or totally, which collectively have the following macro-characteristics:
– hedging percent > 95%
– average seniority (intended as the period of time passed in a "non-performing" conditions) greater than 6 years.

3.3 Impaired purchased or originated financial assets

Based on the IFRS9 accounting principle, receivables that are considered already impaired on initial recognition in the balance sheet, due to the respective high risk level, are defined as Purchased or Originated Credit Impaired Asset (POCI). These receivables, if they fall within the scope of application of impairment pursuant to IFRS9, are measured by allocating – starting from initial recognition – a provision to hedge losses for the entire residual life of the credit (so-called Expected Credit Loss Lifetime). As these are impaired receivables, they must be initially classified in Stage 3, although they may be moved, during their lifetime, to Stage 2 if they are considered no longer impaired based on the credit risk analysis.
The Group identifies as "Impaired purchased or originated financial assets":
• credit exposures already impaired at the moment of purchase, and;
• credit exposures originated in the event of restructuring transaction of impaired exposures that determined the disbursement of new funding, or introduced substantial changes to the original contract conditions.

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

The new policy for the management of exposures covered by forbearance (Forbearance Policy) was approved on 27/01/2020.
Regulations implemented by the Group provide for clear lines being drawn between commercial renegotiation measures and forbearance on existing loans (so-called forbearance measures).
Commercial renegotiations aim to consolidate the relation with the borrower counterparty who, on in-depth assessment, is nonetheless capable of timely fulfilment of all financial obligations originally taken on.
Instead, a forbearance measure is a variation of contract terms in favour of borrower customers who, even if as a result of temporary events, are no longer capable of meeting the financial obligations originally agreed upon. Therefore, ascertained financial difficulty is a decisive requirement to qualify changes in the value, times and terms of credit repayment, as forbearance measures. The subjective assessment (judgmental) of the customer on the part of the credit manager is supported by any objective anomalies in the credit exposure detected by the system. Objective financial difficulty is always subjected to a subsequent subjective assessment, which may result in the confirmation of the exclusion of the existence of financial difficulties. The subjective evaluation is nonetheless carried out, regardless of the observance of objective anomalies.
Financial difficulty is considered confirmed if the counterparty is classified as non-performing.
Approval of a forbearance measure:
- involves the completion of procedures that implicate an assessment aimed at verifying the efficacy of the measure in question for the purpose of re-establishing the borrower's autonomous compliant conduct, without the need for further, subsequent support, returning the exposure to a situation of sustainable repayment and, as regards non-performing loans, with the key objective of laying the bases for return to in bonis status. The analysis in question is made up of various stages that elaborate both objective and subjective information;
- involves qualifying the position involved in the measure in question as forborne. A performing counterparty that receives forbearance may conserve the administrative conditions. Nevertheless, the obligation must be met for the entire time that the credit exposure to which forbearance has been applied is qualified as forborne.

When the forbearance measure is perfected, a monitoring period begins, which is called, based on the case, Probation Period (two years of forborne performing exposures) and Cure Period (one year for forborne non-performing exposures). At the end of these periods of time, the possibility of improving the classification of the status or, for performing exposures, the cancellation of the qualification as forborne, may be taken into consideration, but only if the borrower's conduct is compliant and all the conditions provided for by the reference regulations are met.
The above being given, please note that if the contract modifications granted to customers are considered "substantial", based on differentiation for commercial modifications and modifications resulting from forbearance measures, they may result in derecognition of the financial asset from the balance sheet and re-recognition of a new asset (so-called "derecognition accounting"). In this situation, and specifically as regards positions that pass the SPPI

test, for the purpose of impairment, the Bank considers the date of initial recognition as the date on which the asset is modified. To the contrary, as regards contract modifications that are considered "not substantial", and therefore not subject to "derecognition accounting", for the purpose of impairment, the Group considers the date of initial recognition as the date on which the instrument is originated.

Effects of the Covid-19 pandemic

In accordance with EBA provisions contained in the "Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis" dated 4 April 2020, moratoria granted to customers *ex lege* and in application of category agreements (ABI agreements), were not considered indicators of financial difficulty for the purposes of classification of individual exposures within the scope of forborne exposures (and consequent inclusion in Stage 2).
In line with expectations outlined by European and Italian Vigilance Authorities, from the start of the crisis caused by the Covid-19 pandemic, the Bank identified the need to closely monitor and assess counterparties who benefitted from aid measures provided for by government decrees. In fact, the moratoria on payments has in fact created, for the principle monitoring systems (for example: Early Warning and Internal Rating System) a problem in intercepting some anomalies and triggers for possible difficulty or impairment of the counterparty.
As it was impossible to revise the software quickly, appropriate management actions were implemented to intercept possible future customer difficulties, both in the Corporate and in the Retail sector, and, specifically, an analytical assessment process was started for exposures benefitting from moratoria, in order to assess the significant increase in credit risk and, in particular, the forbearance measures, in compliance with current regulations and European supervisory recommendations, and to continue actively supporting counterparties in temporary difficulty due to the consequences of Covid-19.
Please refer to the contents of Part A, Section 4 – Other aspects, regarding the methods used to book moratoria granted to customers struck by the economic consequences of the Covid-19 pandemic.

A. Credit quality
A.1 Exposure to impaired and in bonis receivables: amounts, value adjustments, dynamics, and economic distribution

A.1.1 Prudential consolidation– 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 amortised cost	199,468	0	6	16,147	5,825	9,924	4,028	1,429	134,853
2. Financial assets measured at fair value with impact on total profits	0	0	0	0	0	0	0	0	0
3. Financial assets in course of divestment	0	0	0	0	0	0	0	0	0
TOTAL 31/12/2020	**199,468**	**0**	**6**	**16,147**	**5,825**	**9,924**	**4,028**	**1,429**	**134,853**

A.1.2 Prudential consolidation – Financial assets, commitments to disburse funds and financial guarantees issued: dynamics of overall value adjustments and of total provisions – part 1

Causal factors/risk stages	Overall value adjustments				
	Assets classified in stage 1				
	FA valued at amortised cost	AF measured at fair value with impact on overall profitability	AF in course of divestment	of which: individual write-downs	of which: collective write-downs
Initial overall adjustments	**5,455**	**179**	**0**	**518**	**5,116**
Value increases from financial assets purchased or originated	0	0	0	0	0
Derecognition other than write-offs	0	0	0	0	0
Net adjustments/write-backs due to impairment (+/-)	5,299	-148	0	-423	5,574
Contract modifications without derecognition	0	0	0	0	0
Changes in the method of estimation	0	0	0	0	0
Write-offs not recognised directly in the income statement	0	0	0	0	0
Other variations	0	0	0	0	0
Overall final adjustments	**10,753**	**31**	**0**	**95**	**10,689**

Causal factors/risk stages	Overall value adjustments				
	Assets classified in stage 1				
	FA valued at amortised cost	AF measured at fair value with impact on overall profitability	AF in course of divestment	of which: individual write-downs	of which: collective write-downs
Recoveries from collection on financial assets written-off	**0**	**0**	**0**	**0**	**0**
Write-offs recognised directly in the income statement	**0**	**0**	**0**	**0**	**0**

A.1.2 Prudential consolidation - Financial assets, commitments to disburse funds and financial guarantees issued: dynamics of overall value adjustments and of total provisions – part 2

Causal factors/risk stages	Overall value adjustments				
	Assets classified in stage 2				
	FA valued at amortised cost	AF measured at fair value with impact on overall profitability	AF in course of divestment	of which: individual write-downs	of which: collective write-downs
Initial overall adjustments	**6,427**	**42**	**0**	**42**	**6,427**
Value increases from financial assets purchased or originated	0	0	0	0	0
Derecognition other than write-offs	0	0	0	0	0
Net adjustments/write-backs due to impairment (+/-)	10,264	40	0	40	10,264
Contract modifications without derecognition	0	0	0	0	0
Changes in the method of estimation	0	0	0	0	0
Write-offs not recognised directly in the income statement	0	0	0	0	0
Other variations	0	0	0	0	0
Overall final adjustments	**16,691**	**82**	**0**	**82**	**16,691**
Recoveries from collection on financial assets written-off	**0**	**0**	**0**	**0**	**0**
Write-offs recognised directly in the income statement	**0**	**0**	**0**	**0**	**0**

A.1.2 Prudential consolidation - Financial assets, commitments to disburse funds and financial guarantees issued: dynamics of overall value adjustments and of total provisions – part 3

Causal factors/risk stages	Overall value adjustments					
	Assets classified in stage 3					of which: impaired financial assets purchased or originated
	FA valued at amortised cost	AF measured at fair value with impact on overall profitability	AF in course of divestment	of which: individual write-downs	of which: collective write-downs	
Initial overall adjustments	**6,427**	**42**	**0**	**42**	**6,427**	**0**
Value increases from financial assets purchased or originated	0	0	0	0	0	0
Derecognition other than write-offs	0	0	0	0	0	0
Net adjustments/write-backs due to impairment (+/-)	10,264	40	0	40	10,264	0
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 recognised directly in the income statement	0	0	0	0	0	0
Other variations	0	0	0	0	0	0
Overall final adjustments	**16,691**	**82**	**0**	**82**	**16,691**	**0**
Recoveries from collection on financial assets written-off	**0**	**0**	**0**	**0**	**0**	**0**
Write-offs recognised directly in the income statement	**0**	**0**	**0**	**0**	**0**	**0**

A.1.2 Prudential consolidation - Financial assets, commitments to disburse funds and financial guarantees issued: dynamics of overall value adjustments and of total provisions – part 4

Causal factors/risk stages	Overall value adjustments			Total
	Assets classified in stage 2			
	FA valued at amortised cost	AF in course of divestment	of which: individual write-downs	
Initial overall adjustments	**45**	**8**	**2,047**	**143,164**
Value increases from financial assets purchased or originated	0	0	0	0
Derecognition other than write-offs	0	0	0	0
Net adjustments/write-backs due to impairment (+/-)	253	36	62	29,041
Contract modifications without derecognition	0	0	0	-12
Changes in the method of estimation	0	0	0	0
Write-offs not recognised directly in the income statement	0	0	0	-14,109
Other variations	0	0	0	-9,004
Overall final adjustments	**298**	**43**	**2,109**	**149,080**
Recoveries from collection on financial assets written-off	**0**	**0**	**0**	**0**
Write-offs recognised directly in the income statement	**0**	**0**	**0**	**0**

A.1.3 Prudential consolidation - Financial assets, commitments to disburse funds and financial guarantees issued: transfers between the various risk stages (gross and nominal values)

Portfolios/risk stages	Gross value / Nominal value					
	Transfers between first stage and second stage		Transfers between second stage and third stage		Transfers between first stage and third stage	
	From 1st stage to 2nd stage	From 2nd stage to 1st stage	From 2nd stage to 3rd stage	From 3rd stage to 2nd stage	From 1st stage to 3rd stage	From 3rd stage to 2nd stage
1. Financial assets measured at amortised cost	51,912	70,361	5,092	4,301	4,728	1,257
2. Financial assets measured at fair value with impact on total profits	0	28,519	0	0	0	0
3. Financial assets in course of divestment	0	0	0	0	0	0
4. Commitments to disburse funds and financial guarantees issued	921	3,407	123	0	95	0
Total 31/12/2020	**52,833**	**102,287**	**5,215**	**4,301**	**4,824**	**1,257**

A.1.3a Prudential consolidation - Loans subject to Covid-18 aid measures: transfers between the various risk stages (gross values)

Portfolios/risk stages	Gross value / Nominal value					
	Transfers between first stage and second stage		Transfers between second stage and third stage		Transfers between first stage and third stage	
	From 1st stage to 2nd stage	From 2nd stage to 1st stage	From 2nd stage to 3rd stage	From 3rd stage to 2nd stage	From 1st stage to 3rd stage	From 3rd stage to 2nd stage
A. Loans measured at amortised cost						
A.1 Subject to forbearance conformant to GL	20,762	26,103	684	32	1,503	586
A.2 Subject to other forbearance measures	31	0	0	0	0	0
A.3 New loans	16,237	3,700	25	0	60	6
B. Loans measured at fair value with impact on overall profitability						
A.1 Subject to forbearance conformant to GL	0	0	0	0	0	0
A.2 Subject to other forbearance measures	0	0	0	0	0	0
A.3 New loans	0	0	0	0	0	0
Total 31/12/2020	**37,030**	**29,803**	**710**	**32**	**1,564**	**592**

A.1.4 Prudential consolidation - Cash and off balance sheet exposure to banks: gross and net values

Type of exposures/values	Gross exposure		Overall value adjustments and total provisions	Net exposure	Overall partial write-offs (*)
	Impaired	In bonis			
A. Cash exposures					
a) Non-performing loans	0	X	0	0	0
- of which: forbearance	0	X	0	0	0
b) Probable defaults	0	X	0	0	0

Type of exposures/values	Gross exposure		Overall value adjustments and total provisions	Net exposure	Overall partial write-offs (*)
	Impaired	In bonis			
- of which: forbearance	0	X	0	0	0
c) Impaired overdue positions	0	X	0	0	0
- of which: forbearance	0	X	0	0	0
d) In bonis overdue positions	X	0	0	0	0
- of which: forbearance	X	0	0	0	0
e) Other in bonis positions	X	417,715	483	417,232	0
- of which: forbearance	X	0	0	0	0
TOTAL A	**0**	**417,715**	**483**	**417,232**	**0**
B. Off balance sheet exposures					
a) Impaired	0	X	0	0	0
b) In bonis	X	11,592	0	11,592	0
TOTAL B	**0**	**11,592**	**0**	**11,592**	**0**
TOTAL A + B	**0**	**23,183**	**0**	**23,183**	**0**

Notes
The table shows the breakdown by credit quality of exposures to banks.
Specifically, all financial assets related to exposures with bank from balance sheet line items "20 - Financial assets held for trading", "30 - Financial assets measured at fair value with impact on total profits" and "40 - Financial assets measured at amortised cost a) receivables from banks".
The table does not include equity investments and shares in mutual funds for a total of 28,991 thousand euro, and securities issued by non-bank counterparties for 203,602 thousand euro.

A.1.5 Prudential consolidation - Cash and off balance sheet exposures to customers: gross and net values

Type of exposures/values	Gross exposure		Overall value adjustments and total provisions	Net exposure	Overall partial write-offs (*)
	Impaired	In bonis			
A. Cash exposures					
a) Non-performing loans	189,137	X	91,595	97,542	0
- of which: forbearance	*1,758*	*X*	*24*	*1,734*	*0*
b) Probable defaults	93,472	X	26,840	66,632	0
- of which: forbearance	*62,323*	*X*	*16,700*	*45,622*	*0*
c) Impaired overdue positions	4,285	X	638	3,648	0
- of which: forbearance	*3*	*X*	*1*	*2*	*0*
d) In bonis overdue positions	X	32,959	786	32,173	0
- of which: forbearance	*X*	*8,240*	*126*	*8,114*	*0*
e) Other in bonis positions	X	3,191,850	26,588	3,165,263	0
- of which: forbearance	*X*	*45,021*	*3,572*	*41,449*	*0*
TOTAL A	**286,894**	**3,224,809**	**146,447**	**3,365,257**	**0**
B. Off balance sheet exposures					
a) Impaired	14,399	X	2,109	12,290	0
b) In bonis	X	1,119,112	0	1,119,112	0
TOTAL B	**14,399**	**1,119,112**	**2,109**	**1,131,401**	**0**
TOTAL A + B	**301,293**	**4,343,921**	**148,897**	**4,496,317**	**0**

Notes
The table shows the breakdown by credit quality of exposures customers.
Specifically, all financial assets related to exposures with bank from balance sheet line items "20 - Financial assets measured at fair value with recognition of income effects through profit and loss", "30 - Financial assets measured at fair value with impact on total profits" and "40 - Financial assets measured at amortised cost a) receivables from customers".
The table does not include equity investments and shares in mutual funds for 28,991 thousand euro, and securities issued by banks for 39,367 thousand euro.

A.1.5a Prudential consolidation - Cash exposures to customers subject to Covid-18 aid measures: gross and net values

Type of exposures/values	Gross exposure	Overall value adjustments and total provisions	Net exposure	Overall partial write-offs (*)
A. Non-performing loans	**0**	**0**	**0**	**0**
a) Subject to forbearance in compliance with GL	0	0	0	0
b) Subject to other forbearance measures	0	0	0	0
c) New loans	0	0	0	0
B. Loans to probable defaults	**2,608**	**816**	**1,791**	**0**

Type of exposures/values	Gross exposure	Overall value adjustments and total provisions	Net exposure	Overall partial write-offs (*)
a) Subject to forbearance in compliance with GL	2,443	765	1,679	0
b) Subject to other forbearance measures	0	0	0	0
c) New loans	165	52	113	0
C. Impaired overdue loans	**177**	**39**	**138**	**0**
a) Subject to forbearance in compliance with GL	118	27	91	0
b) Subject to other forbearance measures	0	0	0	0
c) New loans	59	12	47	0
D. In bonis overdue loans	**2,749**	**36**	**2,713**	**0**
a) Subject to forbearance in compliance with GL	2,749	36	2,713	0
b) Subject to other forbearance measures	0	0	0	0
c) New loans	0	0	0	0
E. Other in bonis loans	**945,770**	**19,172**	**926,598**	**0**
a) Subject to forbearance in compliance with GL	616,917	13,657	603,260	0
b) Subject to other forbearance measures	902	1	901	0
c) New loans	327,952	5,514	322,438	0
TOTAL A+B+C+D+E	**951,305**	**20,064**	**931,241**	**0**

A.1.7 Prudential consolidation - Cash exposures to customers: dynamics of gross impaired accounts

Causal factors/Categories	Non-performing loans	Probable defaults	Impaired overdue positions
A. Initial gross exposures	**186,241**	**128,438**	**11,125**
- of which: accounts disposed of but not derecognised	*0*	*0*	*0*
B. Additions	**36,665**	**0**	**0**
B.1 entries from in bonis receivables	6,087	11,651	3,498
B.2 entries from impaired financial assets purchased or originated	0	0	0
B.3 transfers from other categories of impaired exposures	28,955	5,807	270
B.4 contract modifications without derecognition	0	0	0
B.5 other additions	1,622	2,478	328
C. Reductions	**0**	**0**	**0**
C.1 transfers to in bonis receivables	0	5,000	1,437
C.2 write-offs	14,589	0	0
C.3 collections	16,890	3,409	1,147
C.4 income from disposals	0	5,419	1,114
C.5 losses from disposals	0	2,537	132
C.6 transfers to other categories of impaired exposures	2,289	25,780	7,106
C.7 contract modifications without derecognition	0	0	0
C.8 other reductions	0	12,756	0
D. Final gross exposure	**189,137**	**93,472**	**4,285**
- of which: accounts disposed of but not derecognised	*0*	*0*	*0*

A.1.7 bis Prudential consolidation - Cash exposures to customers: dynamics of gross forbearance exposure subdivided by credit quality

Causal factors/Categories	Forbearance: impaired	Forbearance: in bonis
A. Initial gross exposure	**88,515**	**51,503**
- of which: accounts disposed of but not derecognised	*0*	*0*
B. Additions	**2,808**	**8,238**
B.1 entries from in bonis receivables without forbearance	1,460	4,011
B.2 entries from in bonis receivables with forbearance	815	0
B.3 entries from impaired receivables with forbearance	503	4,225
B.4 other additions	30	2
C. Reductions	**27,240**	**6,480**
C.1 transfers to in bonis receivables without forbearance	0	5,742
C.2 transfers to in bonis receivables with forbearance	4,225	0
C.3 transfers to impaired receivables with forbearance	0	815
C.4 write-off	0	0
C.5 collections	90	122

C.6 income from disposals	0	0
C.7 losses from disposals	0	0
C.8 other reductions	22,924	-200
C.6 income from disposals	**64,083**	**53,261**
- of which: accounts disposed of but not derecognised	*0*	*0*

A.1.9 Prudential consolidation – Impaired cash exposures to customers: dynamics of overall value adjustments

Causal factors/Categories	Non-performing loans		Probable defaults		Impaired overdue positions	
	Total	*of which: forbearance*	Total	of which: forbearance	Total	*of which: forbearance*
A. Initial overall adjustments	**83,478**	**11**	**44,094**	**33,595**	**1,390**	**12**
- of which: accounts disposed of but not derecognised	*0*	*0*	*0*	*0*	*0*	*0*
B. Additions	**30,891**	**14**	**7,845**	**6,207**	**524**	**1**
B.1 value adjustments from impaired financial assets purchased or originated	0	0	0	0	0	0
B.2 other value adjustments	19,428	14	6,920	14	410	0
B.3 losses from disposals	0	0	0	0	0	0
B.4 transfers from other categories of impaired accounts	11,463	0	785	50	73	0
B.5 contract modifications without derecognition	0	0	0	0	1	0
B.6 other additions	0	0	140	6,143	40	1
C. Reductions	**22,774**	**1**	**25,099**	**23,101**	**1,277**	**12**
C.1 write-backs of value from measurement	2,248	1	3,832	0	363	0
C.2 write-backs of value from collection	357	0	6,689	0	34	0
C.3.gains from disposals	0	0	30	0	0	0
C.4 write-off	14,109	0	0	0	0	0
C.5 transfers to other categories of impaired accounts	298	0	11,156	69	868	0
C.6 contract modifications without derecognition	0	0	0	0	12	0
C.7 Other reductions	5,762	0	3,392	23,033	0	12
D. Final overall adjustments	**91,595**	**24**	**26,840**	**16,700**	**638**	**1**
- of which: accounts disposed of but not derecognised	*0*	*0*	*0*	*0*	*0*	*0*

A.2 Classification of financial assets, of commitments to disburse funds and of financial guarantees issued based on internal and external ratings

A.2.1 Distribution of financial assets, of commitments to disburse funds and of financial guarantees issued: by class of external ratings (gross value)

Exposures	Class of external rating						without rating	Total 31/12/2020
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Financial assets measured at amortised cost	**0**	**0**	**280,448**	**5,995**	**5,718**	**0**	**3,393,876**	**3,686,038**
- First stage	0	0	280,448	0	0	0	2,857,232	**3,137,680**
- Second stage	0	0	0	5,995	5,718	0	249,750	**261,463**
- Third stage	0	0	0	0	0	0	286,894	**286,894**
B. Financial assets measured at fair value with impact on total profits	**0**	**0**	**135,835**	**37,307**	**0**	**0**	**0**	**173,143**
- First stage	0	0	135,835	0	0	0	0	**135,835**
- Second stage	0	0	0	37,307	0	0	0	**37,307**
- Third stage	0	0	0	0	0	0	0	**0**
Total (A + B)	**0**	**0**	**416,283**	**43,303**	**5,718**	**0**	**3,393,876**	**3,859,181**
of which: impaired financial assets purchased or originated	0	0	0	0	0	0	842	**842**
C. Commitments to disburse funds and financial guarantees issued	0	0	0	0	0	0	1,116,809	**1,116,809**
- First stage	0	0	0	0	0	0	1,047,337	**1,047,337**
- Second stage	0	0	0	0	0	0	55,074	**55,074**
- Third stage	0	0	0	0	0	0	14,399	**14,399**
Total (C)	**0**	**0**	**0**	**0**	**0**	**0**	**1,116,809**	**1,116,809**
Total (A + B + C)	**0**	**0**	**416,283**	**43,303**	**5,718**	**0**	**4,510,686**	**4,975,990**

Key:
Class 1 = AAA/AA-
Class 2 = A+/A-

Class 3 = BBB+/BBB-
Class 4 = BB+/BB-
Class 5 = B+/B-
Class 6 = Inferior to B-

A.3 Distribution of secured exposures by type of guarantee
A.3.2 Prudential consolidation – Secured cash and off balance sheet exposures to customers - part 1

Line items	Gross exposure	Net exposure	Other collateral (1)			
			Real property for mortgage	Real property - loans for leasing	Securities	Other collateral
1. Secured cash exposures:						
1.1 fully secured	2,002,206	1,922,345	1,415,066	0	5,546	20,020
- of which impaired	*189,313*	*127,321*	*103,825*	*0*	*40*	*824*
1.2 partially secured	314,763	307,892	493	0	11,721	3,335
- of which impaired	*8,533*	*4,953*	*90*	*0*	*0*	*93*
2 Secured off balance sheet exposures:						
2.1 fully secured	167,000	167,000	8,219	0	587	9,183
- of which impaired	*3,866*	*3,866*	*24*	*0*	*0*	*3*
2.2 partially secured	43,535	43,535	0	0	498	2,948
- of which impaired	*1,163*	*1,163*	*0*	*0*	*0*	*13*

A.3.2 Secured exposures to customers - part 2

Line items	Personal security (2)									Total (1)+(2)
	Credit derivatives					Endorsement receivables				
	CLN	Other derivates				Public administrations	Banks	Other financial companies	Other parties	
		Central counterparties	Banks	Other financial companies	Other parties					
1. Secured cash exposures:										
1.1 fully secured	0	0	0	0	0	182,576	0	10,815	282,779	**1,916,802**
- of which impaired	0	0	0	0	0	2,435	0	761	18,824	**126,709**
1.2 partially secured	0	0	0	0	0	195,701	0	4,254	43,781	**259,284**
- of which impaired	0	0	0	0	0	1,069	0	610	1,951	**3,813**
2 Secured off-balance sheet exposures:										
2.1 fully secured	0	0	0	0	0	7,157	1,200	2,188	138,157	**166,691**
- of which impaired	0	0	0	0	0	250	0	35	3,554	**3,866**
2.2 partially secured	0	0	0	0	0	10,191	0	308	14,914	**28,859**
- of which impaired	0	0	0	0	0	0	0	40	1,011	**1,064**

B. Distribution and concentration of credit exposures
B.1 Prudential consolidation – Sector distribution of cash and off balance sheet credit exposures to customers (book value) - part 1

Exposures/Counterparties	Public administrations		Financial companies		Financial companies (of which: insurance companies)	
	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. Cash exposure						
A.1 Non-performing loans	0	0	1,876	1,299	0	0
- of which: forbearance	*0*	*0*	*0*	*0*	*0*	*0*
A.2 Probable defaults	0	0	63	33	0	0
- of which: forbearance	*0*	*0*	*0*	*0*	*0*	*0*
A.3 Impaired overdue positions	730	0	0	0	0	0
- of which: forbearance	*0*	*0*	*0*	*0*	*0*	*0*
A.4 In bonis positions	418,217	95	87,380	161	8,097	41
- of which: forbearance	*0*	*0*	*0*	*0*	*0*	*0*
TOTAL A	**418,947**	**95**	**89,319**	**1,492**	**8,097**	**41**
B. Off balance sheet exposures						
B.1 impaired positions	0	0	0	0	0	0
B.2 In bonis positions	804	0	106,579	1	0	0
TOTAL B	**804**	**0**	**106,579**	**1**	**0**	**0**
TOTAL (A+B) 31/12/2020	**419,750**	**95**	**195,898**	**1,493**	**8,097**	**41**

B.1 Prudential consolidation – Sector distribution of cash and off balance sheet credit exposures to customers (book value) – part 2

Exposures/Counterparties	Non finance companies		Families		TOTAL	
	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. Cash exposure						
A.1 Non-performing loans	54,484	72,551	41,182	17,745	97,542	91,595
- of which: forbearance	*1,734*	*24*	*0*	*0*	*1,734*	*24*
A.2 Probable defaults	37,382	17,392	29,187	9,415	66,632	26,840
- of which: forbearance	*22,176*	*8,576*	*23,446*	*8,124*	*45,622*	*16,700*
A.3 Impaired overdue positions	1,475	335	1,443	303	3,648	638
- of which: forbearance	*0*	*0*	*2*	*1*	*2*	*1*
A.4 In bonis positions	1,539,272	23,765	1,152,567	3,353	3,197,435	27,374
- of which: forbearance	*26,732*	*3,159*	*22,831*	*539*	*49,563*	*3,698*
TOTAL A	**1,632,613**	**114,044**	**1,224,378**	**30,815**	**3,365,257**	**146,447**
B. Off balance sheet exposures						
B.1 Impaired positions	11,291	2,109	998	0	12,290	2,109
B.2 In bonis positions	920,703	327	90,685	13	1,118,771	341
TOTAL B	**931,995**	**2,436**	**91,684**	**13**	**1,131,060**	**2,450**
TOTAL (A+B) 31/12/2020	**2,564,607**	**116,480**	**1,316,062**	**30,829**	**4,496,317**	**148,897**

B.2 Prudential consolidation – Territorial distribution of cash and off balance sheet credit exposures to customers (book value)

Exposure/Geographical area	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLS	
	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. Cash exposures										
A.1 Non-performing loans	97,522	91,544	19	51	0	0	0	0	0	0
A.2 Probable defaults	66,627	26,837	6	3	0	0	0	0	0	0
A.3 Impaired overdue positions	3,648	638	0	0	0	0	0	0	0	0
A.4 In bonis positions	3,189,725	27,359	6,331	13	510	0	319	0	550	2
TOTAL (A)	**3,357,522**	**146,378**	**6,356**	**66**	**510**	**0**	**319**	**0**	**550**	**2**
B. Off balance sheet exposures										
B.1 Impaired positions	12,290	2,109	0	0	0	0	0	0	0	0
B.2 In bonis positions	1,118,562	341	209	0	0	0	0	0	0	0
TOTAL (B)	**1,130,852**	**2,450**	**209**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL (A + B) 31/12/2020	**4,488,374**	**148,828**	**6,564**	**66**	**510**	**0**	**319**	**0**	**550**	**2**

Exposure/Geographical area	TOTAL	
	Net exposure	Overall value adjustments
A. Cash exposures		
A.1 Non-performing loans	97,542	91,595
A.2 Probable defaults	66,632	26,840
A.3 Impaired overdue positions	3,648	638
A.4 In bonis positions	3,197,435	27,374
TOTAL (A)	**3,365,257**	**146,447**
B. Off balance sheet exposures		
B.1 Impaired positions	12,290	2,109
B.2 In bonis positions	1,118,771	341
TOTAL (B)	**1,131,060**	**2,450**
TOTAL (A + B) 31/12/2020	**4,496,317**	**148,897**

Notes
The cash exposures shown in the table include all financial assets to customers measured in the financial statements at line items "20 - Financial assets measured at fair value with impact on profit and loss account", "30 - Financial assets measured at fair value with impact on total profits" and "40 Financial assets measured at amortised cost b) receivables from customers".
Equity investments and shares in mutual funds, for a total of 28,991 thousand euro, and bank securities, for a total of 39,367 thousand euro, are not included.

B.3 Prudential consolidation – Geographical distribution of cash and off balance sheet credit exposures to banks (book value)

Exposure/Geographical area	ITALY	OTHER EUROPEAN COUNTRIES	AMERICA	ASIA	REST OF THE WOLRD

	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. Cash exposures										
A.1 Non-performing loans	0	0	0	0	0	0	0	0	0	0
A.2 Probable defaults	0	0	0	0	0	0	0	0	0	0
A.3 Impaired overdue positions	0	0	0	0	0	0	0	0	0	0
A.4 In bonis positions	357,578	453	59,558	30	55	0	41	0	0	0
TOTAL (A)	**357,578**	**453**	**59,558**	**30**	**55**	**0**	**41**	**0**	**0**	**0**
B. Off balance sheet exposures										
B.1 Impaired positions	0	0	0	0	0	0	0	0	0	0
B.2 In bonis positions	8,941	0	2,651	0	0	0	0	0	0	0
TOTAL (B)	**8,941**	**0**	**2,651**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL (A + B) 31/12/2020	**366,518**	**453**	**62,209**	**30**	**55**	**0**	**41**	**0**	**0**	**0**

D. Sales transactions

A. Financial assets sold but not fully derecognised

Qualitative and quantitative information

D.1 Prudential consolidation - Sold financial assets recognised in full and connected financial liabilities: balance sheet values

Technical forms/Portfolio	Sold financial assets recognised in full				Connected financial liabilities		
	Book value	of which: subject of securitisation transactions	of which: subject to sale contracts with agreement to repurchase	of which impaired	Book value	of which: subject of securitisation transactions	of which: subject to sale contracts with agreement to repurchase
A. Financial assets held for trading				**X**			
1. Debt securities	0	0	0	X	0	0	0
2. Capital securities	0	0	0	X	0	0	0
3. Loans	0	0	0	X	0	0	0
4. Derivatives	0	0	0	X	0	0	0
B. Financial assets obligatorily measured at fair value							
1. Debt securities	0	0	0	0	0	0	0
2. Capital securities	0	0	0	X	0	0	0
3. Loans	0	0	0	0	0	0	0
C. Financial assets measured at fair value							
1. Debt securities	0	0	0	0	0	0	0
2. Loans	0	0	0	0	0	0	0
D. Financial assets measured at fair value with impact on total profits							
1. Debt securities	0	0	0	0	0	0	0
2. Capital securities	0	0	0	X	0	0	0
3. Loans	0	0	0	0	0	0	0
C. Financial assets measured at amortised cost							
1. Debt securities	12,700	0	12,700	0	13,004	0	13,004
2. Loans	0	0	0	0	0	0	0
Total 31/12/2020	**12,700**	**0**	**12,700**	**0**	**13,004**	**0**	**13,004**

D.3 Prudential consolidation – sales transactions with liabilities that have recourse exclusively on the transferred assets not fully derecognised: fair value

Technical forms/Portfolio	Recognised in full	Partially recognised	Total	
			31/12/2020	31/12/2019
A. Financial assets held for trading				
1. Debt securities	0	0	0	0
2. Capital securities	0	0	0	0
3. Loans	0	0	0	0
4. Derivatives	0	0	0	0

Technical forms/Portfolio	Recognised in full	Partially recognised	Total	
			31/12/2020	31/12/2019
B. Financial assets obligatorily measured at fair value				
1. Debt securities	0	0	0	0
2. Capital securities	0	0	0	0
3. Loans	0	0	0	0
C. Financial assets measured at fair value				
1. Debt securities	0	0	0	0
2. Loans	0	0	0	0
D. Financial assets measured at fair value with impact on total profits				
1. Debt securities	0	0	0	0
2. Capital securities	0	0	0	0
3. Loans	0	0	0	0
C. Financial assets measured at amortised cost (fair value)				
1. Debt securities	12,700	0	12,700	0
2. Loans	0	0	0	0
Total financial assets	**12,700**	**0**	**12,700**	**0**
Total connected financial liabilities	**13,004**	**0**	**X**	**X**
Net value at31/12/2020	**-304**	**0**	**-304**	**X**

Notes
As regards receivables from customers and payables to customers, the "fair value" used in the table is equivalent to the amortised cost.

1.2 Market risks

1.2.1 Interest rate risk and price risk – regulatory trading portfolio
Qualitative information

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).

A. General information
Within the scope of the Group, the only company exposed to interest rate risk and price risk on the regulatory trading portfolio is Banca Cambiano 1884 S.p.A.
The primary activity of the Bank is trading financial instruments exposed to interest rate risk.
The strategy underlying its trading activity corresponds both to treasury needs and to the objective of enhancing the risk/yield profile of portfolio investments in terms of the interest rate risk and the counterparty's credit risk.
Trading regards exclusively operations involving bonds.

Effects deriving from the Covid-19 pandemic

As regards market risk, no effects directly attributable to the pandemic crisis have been observed; indeed, no changes have been made to objectives and strategies relating to treasury portfolios with respect to the evolution and duration of the health emergency, which remains principally invested in government bond, nor have the measurement and control systems for market risks been varied.

B. Management procedures and measurement methods for interest rate risk and price risk

The Finance Area Regulations establish both operating limits (both in terms of portfolio value as well as the breakdown by type of security) and limits for exposure to interest rate risk (in terms of financial duration).

In the meeting held on 16 January 2020, the Board of Directors approved the Policy on interest rate risk, accompanied by the attached methodology document.

Quantitative information

1.2.1.1 Regulatory trading portfolio: distribution by residual duration (re-pricing date) of cash financial assets and liabilities and financial derivatives – All currencies

Type/Residual duration	On demand	Up to 3 months	Beyond 3 months through 6 months	Beyond 6 months through 1 year	Beyond 1 year through 5 years	Beyond 5 years through 10 years	Beyond 10 years	Indefinite duration	Total
1. Cash assets									
1.1 Debt securities									
- with early redemption option	0	0	0	0	0	0	0	0	**0**
- other	0	0	0	0	0	0	0	0	**0**
1.2 Other assets	0	0	0	0	0	0	0	0	**0**
2. Cash liabilities									
2.1 Repurchase agreements on debt	0	0	0	0	0	0	0	0	**0**
2.2 Other liabilities	0	0	0	0	0	0	0	0	**0**
3. Financial derivatives									
3.1 With underlying security									
- Options									
+ long-term positions	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	***0***
+ short-term positions	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	***0***
- Other derivatives									
+ long-term positions	*0*	*300*	*0*	*0*	*0*	*0*	*0*	*0*	***300***
+ short-term positions	*0*	*13,115*	*0*	*0*	*0*	*0*	*0*	*0*	***13,115***
3.2 Without underlying security									
- Options									
+ long-term positions	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	***0***
+ short-term positions	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	***0***
- Other derivatives									
+ long-term positions	*0*	*33,000*	*0*	*0*	*8*	*0*	*0*	*0*	***33,008***
+ short-term positions	*0*	*32,285*	*0*	*0*	*8*	*0*	*0*	*0*	***32,293***

2.2 Interest rate risk and price risk – bank

Qualitative information

A. General aspects, Management procedures and measurement methods for interest rate risk and price risk
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.
As regards Banca Cambiano 1884 S.p.A., 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.
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.
Instead, as regards the system adopted to monitor interest rate risk by the subsidiary Cabel Leasing S.p.A.:
- interest rate risk is measured on a quarterly basis, based on the provisions of Bank of Italy Circular n. 288;
- for floating rate assets, the level of debt is indexed in the same way as the asset that it is intended to finance.

Cabel Leasing S.p.A. fixed rate lending positions, represent only 2% of receivables booked at line item 40 "Financial assets measured at amortised cost" in the financial statements. The principle source of interest rate risk that the Company incurs is therefore represented by repricing risk and its impact on the mismatched timing of maturities of assets and liabilities.
Cabel Leasing S.p.A. does not perform speculative transactions on rates.

Quantitative information

1.2.2.1 Bank portfolio: distribution by residual duration (by re-pricing date) of financial assets and liabilities - All currencies

Type/Residual duration	On demand	Up to 3 months	Beyond 3 months through 6 months	Beyond 6 months through 1 year	Beyond 1 year through 5 years	Beyond 5 years through 10 years	Beyond 10 years	Indefinite duration	Total
1. Cash assets									
1.1 Debt securities									
- with early redemption option	0	0	0	0	0	0	0	0	**0**
- other	927	28,519	52,827	166,990	103,162	75,798	42,558	0	**470,781**
1.2 Loans to banks	78,494	244,123	0	25,015	19,002	0	0	0	**366,634**
1.3 Loans to customers									
- c/c	485,609	441	3,441	11,341	11,936	1	0	0	**512,769**
- Other loans									
- with early redemption option	51,817	52,835	10,045	0	0	0	0	0	**114,697**
- other	1,199,483	157,820	163,061	140,576	423,241	99,176	130,081	0	**2,313,438**
2. Cash liabilities									
2.1 Payables to customers									
- c/c	2,320,082	33,051	43,411	64,349	161,865	0	0	0	**2,622,758**
- other liabilities									
- with early redemption option	0	0	0	0	0	0	0	0	**0**
- other	48,033	179	13,572	1,124	8,648	4,890	299	0	**76,745**
2.2 Payables to banks									
- c/c	108,534	15,500	0	0	0	0	0	0	**124,034**
- other liabilities	790,697	0	0	0	0	0	0	0	**790,697**
2.3 Debt securities									
- with early redemption option	0	0	0	0	0	0	0	0	**0**
- other	91	0	18	9,682	122,730	12,605	1,508	4	**146,638**
2.4 Other liabilities									
- with early redemption option	0	0	0	0	0	0	0	0	**0**
- other	0	0	0	0	0	0	0	0	**0**
3. Financial derivatives									
3.1 With underlying security									
- Options									
+ long-term positions	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	***0***
+ short-term positions	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	***0***
- Other derivatives									
+ long-term positions	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	***0***
+ short-term positions	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	***0***
3.2 Without underlying security									
- Options									
+ long-term positions	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	***0***
+ short-term positions	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	***0***
- Other derivatives									
+ long-term positions	*0*	*44,605*	*20,000*	*0*	*0*	*0*	*0*	*0*	***64,605***
+ short-term positions	*0*	*69,452*	*99*	*1,224*	*20,000*	*0*	*0*	*0*	***90,775***
4. Other off balance sheet transactions									
+ long-term positions	*5,080*	*1,632*	*1,376*	*4,859*	*13,028*	*0*	*3,663*	*0*	***29,638***
+ short-term positions	*29,691*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	***29,691***

Notes:
Long-term positions and short-term positions in the line item “other derivatives” in point 3.2 are expressed in notional values.

1.2.3 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.

Within the scope of the Group, the only company exposed to exchange rate risk, albeit only marginally, is Banca Cambiano 1884 S.p.A.

This type of transaction constitutes a profit component; the Bank’s policy is to continuously maintain a foreign currency position that is substantially neutral, in order to minimize the exchange rate risk. The Bank is marginally exposed to the exchange rate risk due to assets used to serve customers.

Exposure to exchange rate risk is measured using a methodology that faithfully follows what is provided by the Supervisory Regulations.

Measurement is based on the calculation of the “net position in foreign exchanges”, i.e. the balance of all assets and liabilities (in financial statements and “off balance sheet”) related to each foreign currency, including operations in Euro indexed to the exchange rate trend of foreign currency.

The organisational structure provides that the management of the exchange rate risk is delegated to the Foreign Office for assets used to service customers and to the Securities Treasury Office for financial instruments, whereas the measurement of exposure is attributed to the Risk Management Office based on the data provided by the Management Control Office.

B. Hedging of exchange rate risk

Considering the very limited exposure to exchange rate risk, no particular hedging operations have been implemented. In fact, cash exposures and foreign exchange transactions and forward foreign exchange transactions with customers are balanced by opposite transactions with banks.

Furthermore, limits are set by corporate regulations on unmatched foreign currency positions.

Quantitative information

1.2.3.1 Distribution by de nominated currency of assets, liabilities and derivatives

Line items	Currencies						
	USA dollar	British pound sterling	Swiss franc	Canadian dollar	Japanese yen	Other currencies	Total
A. Financial assets							
A.1 Debt securities	0	0	0	0	0	0	0
A.2 Capital securities	0	0	0	0	0	0	0
A.3 Loans a banks	522	56	846	70	43	151	1,687
A.4 Loans to customers	72,901	0	0	0	0	0	72,901
A.5 Other financial assets	0	0	0	0	0	0	0
B. Other assets	**211**	**165**	**84**	**20**	**35**	**76**	**590**
C. Financial liabilities							
C.1 Payables to banks	50,753	1,218	0	0	0	0	51,972
C.2 Payables to customers	8,674	69	194	1,821	0	102	10,860
C.3 Debt Securities	0	0	0	0	0	0	0
C.4 Other Financial liabilities	0	0	0	0	0	0	0
D. Other liabilities	**0**	**0**	**0**	**0**	**0**	**0**	**0**
E. Financial derivatives							
- Options							
+ long-term positions	*0*	*0*	*0*	*0*	*0*	*0*	*0*
+ short-term positions	*0*	*0*	*0*	*0*	*0*	*0*	*0*
- Other derivatives							
+ long-term positions	*51,284*	*24,693*	*1,569*	*1,756*	*814*	*0*	*80,117*
+ short-term positions	*62,844*	*24,693*	*2,409*	*0*	*818*	*0*	*90,764*
Total assets	**124,917**	**24,915**	**2,499**	**1,846**	**892**	**227**	**155,295**
Total liabilities	**122,272**	**25,981**	**2,603**	**1,821**	**818**	**102**	**153,596**
Imbalance (+/-)	**2,645**	**-1,066**	**-104**	**25**	**74**	**126**	**1,699**

1.3 Derivative instruments and hedging policies

1.3.1 Derivative instruments from trading

A. Financial derivatives

A.1 Financial derivatives from trading: notional end period values

Underlying assets / Type of derivative	Total 31/12/2020			
	Over the counter			Organised markets
	Central counterparties	without central counterparties		
		With netting agreements	Without netting agreements	
1. Debt securities and interest rates				
a) Options	0	40,000	0	0
b) Swap	0	0	0	0
c) Forward	0	0	0	0
d) Futures	0	0	0	0
e) Other	0	0	0	0
2. Capital securities and equity indexes				
a) Options	0	0	0	0
b) Swap	0	0	0	0
c) Forward	0	0	0	0
d) Futures	0	0	0	0
e) Other	0	0	0	0
3. Currencies and gold				
a) Options	0	0	0	0
b) Swap	0	0	0	0
c) Forward	0	0	103,057	0
d) Futures	0	0	0	0
e) Other	0	0	0	0
4. Goods	0	0	0	0
5. Other underlying assets	0	0	0	0
Total	**0**	**40,000**	**103,057**	**0**
Average values	**0**	**40,000**	**103,057**	**0**

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

Underlying assets/Type of derivative	Total 31/12/2020			
	Over the counter			Organised markets
	Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements	
1. Positive fair value				
a) Options	0	0	0	0
b) Interest rate swap	0	8	0	0
c) Cross currency swap	0	0	0	0
d) Equity swap	0	0	0	0
e) Forward	0	0	807	0
f) Futures	0	0	0	0
g) Other	0	0	0	0
Total	**0**	**8**	**807**	**0**
2. Negative fair value				
a) Options	0	0	0	0
b) Interest rate swap	0	0	0	0
c) Cross currency swap	0	0	0	0
d) Equity swap	0	0	0	0
e) Forward	0	0	641	0
f) Futures	0	0	0	0
g) Other	0	0	0	0
Total	**0**	**0**	**641**	**0**

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

Contracts that are not a part of netting agreements	Central counterparties	Banks	Other financial companies	Other parties
Contracts that are not a part of netting agreements				

Contracts that are not a part of netting agreements	Central counterparties	Banks	Other financial companies	Other parties
1) Debt securities and interest rates				
- notional value	X	0	0	0
- positive fair value	X	0	0	0
- negative fair value	X	0	0	0
2) Capital securities and equity indexes				
- notional value	X	0	0	0
- positive fair value	X	0	0	0
- negative fair value	X	0	0	0
3) Currencies and gold				
- notional value	X	99,926	0	3,131
- positive fair value	X	751	0	56
- negative fair value	X	640	0	1
4) Goods				
- notional value	X	0	0	0
- positive fair value	X	0	0	0
- negative fair value	X	0	0	0
5) Other				
- notional value	X	0	0	0
- positive fair value	X	0	0	0
- negative fair value	X	0	0	0
Contracts that are a part of netting agreements				
1) Debt securities and interest rates				
- notional value	0	40,000	0	0
- positive fair value	0	8	0	0
- negative fair value	0	0	0	0
2) Capital securities and equity indexes				
- notional value	0	0	0	0
- positive fair value	0	0	0	0
- negative fair value	0	0	0	0
3) Currencies and gold				
- notional value	0	0	0	0
- positive fair value	0	0	0	0
- negative fair value	0	0	0	0
4) Goods				
- notional value	0	0	0	0
- positive fair value	0	0	0	0
- negative fair value	0	0	0	0
5) Other				
- notional value	0	0	0	0
- positive fair value	0	0	0	0
- negative fair value	0	0	0	0

A.4 Residual life of financial derivatives from OTC trading: notional values

Underlying assets/Residual life	Up to 1 year	Beyond 1 year and up to 5 years	Beyond 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	0	40,000	0	**40,000**
A.2 Financial derivatives on capital securities and equity indexes	0	0	0	**0**
A.3 Financial derivatives on exchange rates and gold	103,057	0	0	**103,057**
A.4 Financial derivatives on goods	0	0	0	**0**
A.5 Other financial derivatives	0	0	0	**0**
Total 31/12/2020	**103,057**	**40,000**	**0**	**143,057**

1.3.2 Recognised hedges

Qualitative information

Within the scope of the Group, the only company that uses recognised hedges is the Parent Company, Banca Cambiano 1884 S.p.A.. On first time application of the IFRS9 accounting principle, Banca Cambiano exercised the option provided for by the principle to continue to fully apply the regulations of IAS 39 to all types of hedges.

Therefore, the provisions of IFRS 9 regarding hedges are not applied.

A. Hedging of fair value

The Bank's hedging activity is aimed at protecting the bank portfolio from variations of fair value on deposits and lending caused by fluctuations of the interest rate curve (interest rate risk). The Bank adopts specific hedges (micro fair value hedge) and has no generic hedges (macro fair value hedge). The micro fair value hedges include two hedging operations for bond issues and securities.
The type of derivative used is plain interest rate swaps (IRS) with third parties.
The derivatives are not listed on regulated markets, but traded on the over-the-counter circuit.

B. Hedging of cash flows.

The Bank has no current operations for hedging of cash flows.

C. Hedging of foreign investments

The Bank has no current operations for hedging of foreign investments.

D. Hedging instruments

In order for a transaction to be recognised as a "hedge", it is necessary that the following conditions be satisfied: a) the hedge relationship must be formally documented; b) the hedge must be effective from the time it initiates and prospectively for its entire duration. Effectiveness is controlled by means of specific instruments and is considered to exist when variations of fair value of the hedged financial instrument almost entirely sterilize the variations of risk of the hedged instrument. A hedge is considered to be highly effective between a range of 80% through 125%. An effectiveness test is conducted at each close of the financial statements or at the time of any six-month interim financial statements. If the effectiveness test indicates an insufficient hedge and the misalignment is considered not to be temporary, the hedged instrument is allocated to the trading portfolio. Hedges are measured according to the principle of "negotiation date".
The hedge instrument (IRS) is measured at fair value.
The fair value of hedges listed in active markets is taken from the quotations at the close of the markets (fair value hierarchy - level 1), whereas instruments not listed in an active market (over the counter) are measured discounting future cash flows on the basis of the yield curve (fair value hierarchy - level 3). Since they are unlisted, the latter method is used to measure the fair value of all of the Bank's hedges. The hedged accounts are also measured at fair value, limited to variations of value produced by the risks that are the object of the hedge, thus "sterilizing" the risk components that are not directly related to such hedge.

E. Hedged assets

The hedged asset is an asset security.

E.1 Asset securities

This is a micro fair value hedge type of operation that uses an interest rate swap (IRS) as a hedging instrument for Treasury bonds with maturity at 15/04/2022 and ISIN code IT0005086886. The interest rate risk is hedged for the entire duration of the security.
The derivative entails that the Bank receives, six-monthly and on the notional value of € 20,000,000 Euribor 6M+0.47% against payment of a fixed 1.35% interest rate.

IBOR Reform

Following the decision by the Financial Stability Board to substitute IBOR with "alternative interest rates", the European Union introduced the EU 2016/1011 Benchmarks Regulation (BMR), published in 2016 and coming into effect as of January 2018, that defines precise rules for benchmark administrators, contributors and users to guaranty the transparency and representativity of indexes with respect to the markets of reference, therefore imposing that measurements be based, as far as possible on actual transactions.

Subsequent to the BMR, European institutions declared the following as critical elements:

- The EONIA rate which, starting 2 October 2019, is based on fixing the euro reference rate (identified by ECB as the alternative rate) and that will fall into disuse on 31 December 2021;

- The EURIBOR rate which was subjected to a methodology revision during 2019 (so-called hybrid method), that will guaranty meeting the requirements of the regulation;
- As regards the benchmark rates for other currencies, among the most important ones, the following were also revised: EURIBOR, USD LIBOR, GBP LIBOR, EUR LIBOR, CHF LIBOR, JPY LIBOR, JPY TIBOR, EUROYEN TIBOR, CAD CDOR, etc.

The only hedging transaction at 31/12/2020 is a micro fair value hedge type of operation that uses an interest rate swap (IRS) as a hedging instrument for Treasury bonds with maturity at 15/04/2022 and ISIN code IT0005086886. The interest rate risk is hedged for the entire duration of the security.

For the derivative, the Bank receives on a six month basis and on the notional value of € 20,000,000 Euribor 6M+0.47% against the payment of a fixed 1.35% rate. The hedging derivative provides a good proxy of the measure of interest rate risk exposure that the Bank manages by means of the same hedges.

Please note that the hedge in question is not affected by the IBOR Reform in terms of the "uncertainty" of future cash flows with resulting difficulty in carrying out prospective solidity tests for the relations in question.

Quantitative information

A. Hedging financial derivatives

A.1 Hedging financial derivatives: notional end period values

Underlying assets/Type of derivative	Total 31/12/2020			
	Over the counter			Organised markets
	Central counterparties	without central counterparties		
		With netting agreements	Without netting agreements	
1. Debt securities and interest rates				
a) Options	0	0	0	0
b) Swap	0	20,000	0	0
c) Forward	0	0	0	0
d) Futures	0	0	0	0
e) Other	0	0	0	0
2. Capital securities and equity indexes				
a) Options	0	0	0	0
b) Swap	0	0	0	0
c) Forward	0	0	0	0
d) Futures	0	0	0	0
e) Other	0	0	0	0
3. Currencies and gold				
a) Options	0	0	0	0
b) Swap	0	0	0	0
c) Forward	0	0	0	0
d) Futures	0	0	0	0
e) Other	0	0	0	0
4. Goods	0	0	0	0
5. Other	0	0	0	0
Total	**0**	**20,000**	**0**	**0**

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

Underlying assets/Type of derivative	Total 31/12/2020		
	Over the counter		Organised markets
	Central	Without central counterparties	

	counterparties	With netting agreements	Without netting agreements	
1. Positive fair value				
a) Options	0	0	0	0
b) Interest rate swap	0	0	0	0
c) Cross currency swap	0	0	0	0
d) Equity swap	0	0	0	0
e) Forward	0	0	0	0
f) Futures	0	0	0	0
g) Other	0	0	0	0
Total	**0**	**0**	**0**	**0**
2. Negative fair value				
a) Options	0	0	0	0
b) Interest rate swap	0	419	0	0
c) Cross currency swap	0	0	0	0
d) Equity swap	0	0	0	0
e) Forward	0	0	0	0
f) Futures	0	0	0	0
g) Other	0	0	0	0
Total	**0**	**419**	**0**	**0**

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				
1) Debt securities and interest rates				
- notional value	X	20,000	0	0
- positive fair value	X	0	0	0
- negative fair value	X	419	0	0
2) Capital securities and equity indexes				
- notional value	X	0	0	0
- positive fair value	X	0	0	0
- negative fair value	X	0	0	0
3) Currencies and gold				
- notional value	X	0	0	0
- positive fair value	X	0	0	0
- negative fair value	X	0	0	0
4) Goods				
- notional value	X	0	0	0
- positive fair value	X	0	0	0
- negative fair value	X	0	0	0
5) Other				
- notional value	X	0	0	0
- positive fair value	X	0	0	0
- negative fair value	X	0	0	0
Contracts that are a part of netting agreements				
1) Debt securities and interest rates				
- notional value	0	0	0	0
- positive fair value	0	0	0	0
- negative fair value	0	0	0	0
2) Capital securities and equity indexes				
- notional value	0	0	0	0
- positive fair value	0	0	0	0
- negative fair value	0	0	0	0
3) Currencies and gold				
- 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
4) Goods				
- notional value	0	0	0	0
- positive fair value	0	0	0	0
- negative fair value	0	0	0	0
5) Other				
- notional value	0	0	0	0
- positive fair value	0	0	0	0
- negative fair value	0	0	0	0

A.4 Residual life of OTC hedging financial derivatives: notional values

Underlying assets/Residual life	Up to 1 year	Beyond 1 year and up to 5 years	Beyond 5 years	Total 31/12/2020
A.1 Financial derivatives on debt securities and interest rates	0	20,000	0	**20,000**
A.2 Financial derivatives on capital securities and equity indexes	0	0	0	**0**
A.3 Financial derivatives on exchange rates and gold	0	0	0	**0**
A.4 Financial derivatives on other values	0	0	0	**0**
Total 31/12/2020	**0**	**20,000**	**0**	**20,000**

D. Hedged instruments

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	
A. Assets						
1. Financial assets measured at fair value with impact on total profits – hedging of:						
1.1 Debt securities and interest rates	20,524	20,524	-362	0	0	X
1.2 Capital securities and equity indexes	0	0	0	0	0	X
1.3 Currencies and gold	0	0	0	0	0	X
1.4 Receivables	0	0	0	0	0	X
1.5 Other	0	0	0	0	0	X
2. Financial assets measured at amortised cost – hedging of:	0	0	0	0	0	0
1.1 Debt securities and interest rates	0	0	0	0	0	X
1.2 Capital securities and equity indexes	0	0	0	0	0	X
1.3 Currencies and gold	0	0	0	0	0	X
1.4 Receivables	0	0	0	0	0	X
1.5 Other	0	0	0	0	0	X
Total 31/12/2020	**20,524**	**20,524**	**-362**	**0**	**0**	**0**
Total 31/12/2019	**0**	**0**	**0**	**0**	**0**	**0**
B. Liabilities	0	0	0	0	0	0
1. Financial liabilities valued at amortised cost – hedging of :	0	0	0	0	0	0
1.1 Debt securities and interest rates	0	0	0	0	0	0
1.2 Currencies and gold	0	0	0	0	0	0
1.3 Other	0	0	0	0	0	0
Total 31/12/2020	**0**	**0**	**0**	**0**	**0**	**0**
Total 31/12/2019	**0**	**0**	**0**	**0**	**0**	**0**

1.3.3 Other information on trading and hedging derivative instruments

A. Financial and credit derivatives

A.1 OTC financial and credit derivatives: net fair value by counterparties

Contracts that are not a part of netting agreements	Central counterparties	Banks	Other financial companies	Other parties
A. Financial derivatives				
1) Debt securities and interest rates				

Contracts that are not a part of netting agreements	Central counterparties	Banks	Other financial companies	Other parties
- notional value	0	65.000	0	0
- positive net fair value	0	0	0	0
- negative net fair value	0	601	0	0
2) Capital securities and equity indexes				
- notional value	0	0	0	0
- positive net fair value	0	0	0	0
- negative net fair value	0	0	0	0
3) Currencies and gold				
- notional value	0	15.985	0	6.100
- positive net fair value	0	13	0	52
- negative net fair value	0	303	0	10
4) Goods				
- notional value	0	0	0	0
- positive net fair value	0	0	0	0
- negative net fair value	0	0	0	0
5) Other				
- notional value	0	0	0	0
- positive net fair value	0	0	0	0
- negative net fair value	0	0	0	0
B. Credit derivatives				
1) Purchase hedging				
- notional value	0	0	0	0
- positive net fair value	0	0	0	0
- negative net fair value	0	0	0	0
2) Sale hedging				
- notional value	0	0	0	0
- positive net fair value	0	0	0	0
- negative net fair value	0	0	0	0

1.4 liquidity risk

Qualitative information

A. General information, management procedures and methods to measure liquidity risk

Liquidity risk is managed principally by the Treasury and Own Portfolio Office, the Management Control Office and Risk Management, with the aim of verifying the Bank's capacity to efficiently face liquidity requirements and avoid situations of excessive and/or insufficient liquidity, with the consequent need to invest and/or find funds at unfavourable rates with respect to market rates. 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. Therefore, as regards the management and measurement of this type of risk, please refer to the contents of Section 4 of parte E of the explanatory notes to the financial statements of Banca Cambiano 1884 S.p.a. and in Section 3.4 of part D of the explanatory notes to the financial statements of Cabel Leasing S.p.a.
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 Group 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 Group 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 Group 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.

Effects deriving from the Covid-19 pandemic

As a result of the effects of the Covid-19 pandemic, the Bank implemented a wide range of measures to strengthen its own liquidity profile and face the potential impact of the crisis generated by the resulting loan requests by bank customers and the volatility of the value of assets that could be liquidated following unfavourable market conditions; such measures involved both operational aspects (principally by increasing funding operations with the European Central Bank and broadening potential collection sources to be used in case of need), and measurement and monitoring of the risk profile (principally by increasing the frequency of information flows). It did not become necessary to act on significant internal thresholds (risk appetite, risk limits and risk tolerance) regarding liquidity risk indicators, as, for the duration of the crisis, the Bank's liquidity profile remained strong, on values greater than both the minimum values defined internally and the regulatory thresholds.

Quantitative information

A.1 Time period distribution by residual contract life of financial assets and liabilities - All currencies

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	From over 6 months through 1 year	From over 1 year through 5 years 5	Over 5 years	Undefined duration	Totals
Cash assets											
A.1 Government bonds	0	0	0	0	0	14,282	177,264	85,197	139,445	0	416,188
A.2 Other debt securities	0	0	0	28,135	0	0	0	22,557	3,900	0	54,592
A.3 Shares of mutual funds	75,049	0	0	0	0	0	0	0	0	0	75,049
A.4 Loans	0	0	0	0	0	0	0	0	0	0	0
- Banks	77,885	0	0	0	10,000	0	25,000	19,000	0	234,276	366,160
- Customers	593,624	3,921	9,606	32,684	124,289	103,325	160,290	939,795	976,070	1,469	2,945,075
Cash liabilities											
B.1 Deposits and current accounts	0	0	0	0	0	0	0	0	0	0	0
- Banks	123,231	0	0	0	0	0	0	0	0	0	123,231
- customers	2,366,136	867	2,492	1,967	29,891	43,323	64,226	161,424	0	0	2,670,326
B.2 Debt securities	95	0	0	0	0	18	9,623	122,792	13,995	0	146,523
B.3 Other liabilities	5,815	0	3	0	191	14,255	1,201	779,188	5,190	0	805,842
Off balance sheet transactions											
C.1 Financial derivatives with an exchange of principal	0	0	0	0	0	0	0	0	0	0	0
- Long-term positions	0	56,332	26,714	22,937	8,284	99	1,225	0	0	0	115,592
- Short-term positions	0	56,633	26,823	23,054	8,342	99	1,224	0	0	0	116,175
C.2 Financial derivatives without an exchange of principal	0	0	0	0	0	0	0	0	0	0	0
- Long-term positions	8	0	0	0	0	0	0	0	0	0	8
- short-term positions	0	0	0	0	0	135	135	135	0	0	405
C.3 Deposits and loans to be received	0	0	0	0	0	0	0	0	0	0	0
- Long-term positions	0	0	0	0	0	0	0	0	0	0	0
- Short-term positions	0	0	0	0	0	0	0	0	0	0	0

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	From over 6 months through 1 year	From over 1 year through 5 years 5	Over 5 years	Undefined duration	Totals
C.4 Irrevocable commitments to disburse funds	0	0	0	0	0	0	0	0	0	0	0
- Long-term positions	519	42	0	0	476	745	1,736	12,122	14,000	0	29,638
- Short-term positions	29,691	0	0	0	0	0	0	0	0	0	29,691
C.5 Financial guarantees issued	0	0	4	13	3,483	1,279	5,728	32,488	30,621	0	73,617
C.6 Financial guarantees received	0	0	0	0	0	0	0	0	0	0	0
C.7 Credit derivatives with an exchange of principal	0	0	0	0	0	0	0	0	0	0	0
- Long-term positions	0	0	0	0	0	0	0	0	0	0	0
- Short-term positions	0	0	0	0	0	0	0	0	0	0	0
C.8 Credit derivatives without an exchange of principal	0	0	0	0	0	0	0	0	0	0	0
- Long-term positions	0	0	0	0	0	0	0	0	0	0	0
- Short-term positions	0	0	0	0	0	0	0	0	0	0	0

List of guarantees – Situation with Cassa Compensazione e Garanzia and other parties at 31/12/2020

ISIN	Security	Nominal value	Book value
IT0005127086	BTP 01.12.2025 2%	11,803	12,703
IT0005185456	CCTEU 15.07.23 TV	500	507
Totals		**12,303**	**13,210**

List of guarantees – Situation with Eurosystem at 31/12/2020

ISIN	Security	Nominal value	Book value	ECB assessment	ECB differences	Portfolio
XS1811053641	BANCO BPM 18-23 1.75% /PRO	3,100	3,137	2,639	-497	HTC
	COLLATERALIZED RECEIVABLES C/O EUROSISTEMA	495,582	495,582	332,104	-163,477	HTC
	COLLATERALIZED RECEIVABLES C/O EUROSISTEMA	51,771	51,771	34,687	-17,085	HTC
	COLLATERALIZED RECEIVABLES C/O EUROSISTEMA	104,811	104,811	73,367	-31,443	HTC
IT0005315228	PONTORMO RMBS	190,257	190,257	174,737	-15,521	Off balance sheet
IT0005391245	PONTORMO RMBS NOTES A2-19 SUB	238,234	238,234	215,468	-22,767	Off balance sheet
	Totals	**1,083,756**	**1,083,792**	**833,002**	**-250,790**	
	Financing with c/o Eurosystem – Use	790,000		-788,362		
	Credit line			**44,640**		

Notes

For Pontormo notes, amounts relating to securities with Eurosystem are not shown in detail in that more securities were issued to reach capacity, but the Banca Cambiano nominal share is the one shown.

List of deposits with Eurosystem at 31/12/2020

Amount	Deposit	Rate	Maturity
280,000.00	Deposit c/o ECB - TLTRO III 3rd auction	-0.50%	25/03/2023
260,000.00	Deposit c/o ECB - TLTRO III 4th auction	-0.50%	29/06/2023
150,000.00	Deposit c/o ECB - TLTRO III 5th auction	-0.50%	28/09/2023
100,000.00	Deposit c/o ECB - TLTRO III 6th auction	-0.50%	21/12/2023
790,000.00	Total deposits made c/o ECB	**-0.50%**	

1.5 Operational risks

Qualitative information

A. General aspects, 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 Group has defined a series of organisational processes aimed at monitoring and management operational risks, with the aid of the following specific organisational functions:

- Internal Audit, whose activities are aimed, on the one hand, at controlling the regularity of operations and risks trends, and on the other at assessing the overall efficiency of the internal controls system;
- The Control Body, pursuant to Italian Legislative Decree 231/2001, whose composition and functions are defined in specific regulations, within the scope of the organisation, management and control model adopted;
- the Risk Management office, which fulfils the requirement of indentifying and measuring the risks typical of the banking business through the constant monitoring of risks taken and of those potentially generated by investment, lending and service policies;
- the Compliance Office, with the role of monitoring and controlling observance of regulations, and providing support for prevention and management of the risk of incurring judicial or administrative sanctions and/or of incurring significant losses as a consequence of violation of external or internal regulations

Furthermore, the following documents have been prepared and are constantly updated, to safeguard against the insurgence of operational risks:

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

Particular attention was focused on information technology risks, which are, by definition, included among operational risks, by setting forth regulations and processes for the identification, assessment and limitation of events originating from, or that could originate from, malfunctioning information technology procedures and/or electronic equipment, such as, for example, network crashes, unavailability of internet banking, and imprecise applications for branch operations.
Finally, within the scope of actions implemented in order to ensure full compliance with the new Bank of Italy regulations provided for in Circular 285, the Bank has undertaken important initiatives connected to completing transposition within organisational profiles and internal regulations of the references contained in Chapter IV – Corporate government, internal controls, management risks, Chapter 4 (information system) and 9 (business continuity) of the aforementioned new regulations. Within this scope, the Group, acknowledging the importance of managing information technology risks as a tool to guaranty the efficacy and efficiency of measures aimed at safeguarding the Group's own information technology systems, has defined, in accordance with the results of the project elaborated within the Cable network and in compliance regulatory principles and provisions currently in force, a method for the analysis of information technology risks and the relative management process that hinges on the Bank's broader risk management system. In order to calculate capital requirements for operational risks, the Bank has adopted the Basic Indicator Approach (BIA), which entails that capital hedging this type of risk is equal to 15% of the average of the "relevant indicator" over the previous three years, calculated in accordance with articles 315 and 316 of CRR regulations.
Capital absorption for this type of risk at 31 December 2020 was € 14,894,693.

Effects deriving from the Covid-19 pandemic

The effects of the Covid-19 pandemic on operational risks were many, especially in terms of IT security risks.
The various functional areas of the Organisational and IT Office were affected by the Covid-19 health emergency, starting from the first government measures, which entailed rationalizing the available resources, living priority to "strategic" requests and projects.
In updating the portfolio projects, critical projects were identified, in order to be able to guaranty and support them, and new projects that could possibly support the business during the "emergency" stage, were also identified, in preparation of the "recovery" stage. Hence, based on this outlook, activities focused on reorganizing connectivity, IT security and increasing and strengthening infrastructures in order to support new data traffic flows and increased remote operations.
On this matter, dedicated access procedures were set up, along with new and more appropriated off-site work instruments (cisco – webex).

In order to work in the best way possible, while waiting for a return to normality, possible vulnerabilities of the IT systems were assessed scrupulously, also considering the effects of exogenous elements (for example, lack of work force), setting up rigorous remote work and alternate on-site presence plans among the various “critical” resources identified in advance, also perfecting risk mitigation plans, indispensible to ensure business continuity.
All remote connections were set up guarantying the best access control possible and using the most secure methods available.
The support provided to the network by the various areas of the Organisational and IT Office proved fundamental and allowed responding in an effective and efficacious manner to the crisis created by COVID-19.
Furthermore, the COVID 19 emergency kept a burning spot-light on all issues relating to business continuity, forcing a change of perspective in terms of continuity evaluation.
Also in light of the recommendation expressed by Bank of Italy with the press release issued on 20/03/2020 “Extension of terms and other temporary measures to mitigate the impact of COVID-19 on the Italian banking and financial system”, in which “less significant” banks and other monitored intermediaries were asked to “review business continuity plans”, the Group’s Organisational and IT Office set up a specific task force to implement the plan.
On 16 March 2020, the Business Continuity Plan was integrated and approved by the Board of Directors of the Parent Company with a specific section dedicated to “risk of pandemic”, which provides for the event of a simultaneous unavailability of structures, critical suppliers and human resources and, consequently, the integration to the plan has better defined the priorities and chain of command to be followed.

Quantitative information

The amount of losses actually verified during the past two fiscal years is set forth below, classified according to the categories provided by regulatory provisions. Their amount, consequent also to the risk assessments conducted on the specific type of risk in review, is not significant; in any event there is specific documentation regarding events that resulted in losses.

Types of event resulting in loss Categories of the event (level 1)	Definition	2020
1. Internal fraud	Losses due to unauthorised activities, fraud, embezzlement or violation of laws, regulations or company policy that involve at least one of the Bank’s internal resources.	
2. External fraud	Losses due to fraud, embezzlement or the violation of laws by parties not employed by the Bank.	587,417
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.	
4. Customers, products and professional practice	Losses due to breaches of professional obligations to customers or from the nature or characteristics of the product or service supplied.	46,669
5. Damage to property, plants and equipment	Losses deriving from external events, such as natural catastrophes, terrorism, or acts of vandalism.	
6. Interruptions of operations and system malfunctions	Losses due to interruptions of operations, to malfunctions or the unavailability of systems.	120
7. Performance, delivery and management procedures	Losses due to the failure to complete operations or manage procedures, as well as losses due to relations with commercial counterparties, sellers or suppliers.	12,757
TOTAL		646,964

PART F – Information on consolidated capital

SECTION 1- CONSOLIDATED 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, the Group 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 Group refers to the minimum external regulatory capital requirements assigned to Cambiano Banking Group – prudential perimeter - composed of 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%, the Group is required to comply with the following requirements:

- Cet1 ratio equal to 7.70% composed of the Total SREP Capital Requirement binding measures 5,20% (of which 4.5% pursuant to art. 92 CRR) and the Capital Conservation reserve 2.5%
- Tier 1 ratio equal to 9.40% composed of the Total SREP Capital Requirement binding measures 6.90% (of which 6% pursuant to art. 92 CRR) and the Capital Conservation reserve 2.5%;
- Total Capital ratio equal to 11.75% composed of the Total SREP Capital Requirement binding measures 9.25% (of which 8% pursuant to art. 92 CRR) and the Capital Conservation reserve 2.5%.

To ensure that the above binding measures are met even in the event of deterioration of the economic and financial context, the Target component (Pillar 2 Guidance, P2G) identified in the event of a greater risk in stress conditions amounts to 0.50%.

The value of own funds, that at 31/12/2020 amounts to 11.59% of CET1, 12.08% of Tier1 and 14.58% of Total Capital, , is fully compliant on all three levels of binding capital and the capital conservation reserve is hedged by Tier 1 capital.

The value of own funds so-called "fully loaded", at 31/12/2020, not considering therefore the IFRS9 transitory regimen in effect until the 2023 fiscal year, amounts to 9.17% of CET1, 9.69% of Tier1 and 12.25% of Total Capital.

Current and prospective capital adequacy management is executed not only by assessing and monitoring regulatory capital against Pillar I risks, but also by assessing internal capital capable of guarding against any type or risk (so-called Pillar II risks) within the scope of the ICAAP -Internal Capital Adequacy Assessment Process that culminates in the preparation of the annual group-level report and that constitutes the basis for the subsequent review and prudential assessment (SREP) by the Supervisory Authority.

B. Quantitative information

B.1 Consolidated shareholders' equity: breakdown by type of business

Line items\Values	Prudential consolidation	Insurance companies	Other undertakings	Eliminations and adjustments from consolidation	Total
1. Share capital	252,800	0	0	-19,000	233,800
2. Premiums on the issue of new shares	803	0	0	0	803
3. Reserves	-43,928	0	0	-8,694	-52,623
- earnings	-43,928	0	0	-8,694	-52,623
a) legal	2,655	0	0	-1,438	1,217
b) statutory	3,515	0	0	-3,009	506

Line items\Values	Prudential consolidation	Insurance companies	Other undertakings	Eliminations and adjustments from consolidation	Total
c) treasury shares	0	0	0	0	0
d) other	-50,097	0	0	-4,248	-54,345
- other	0	0	0	0	0
4. Equity instruments	10,000	0	0	0	10,000
5. (Treasury shares)	0	0	0	0	0
6. Valuation reserves	584	0	0	0	584
-Capital securities measured at fair value with impact on total profits	-1,639	0	0	0	-1,639
- Hedges on capital securities measured at fair value with impact on total profits	0	0	0	0	0
- Financial assets (other than capital securities) measured at fair value with impact on total profits	95	0	0	0	95
- Property, plants and equipment	0	0	0	0	0
- Intangible assets	0	0	0	0	0
- Hedging of foreign investments	0	0	0	0	0
- Hedging of cash flows	0	0	0	0	0
- Exchange rate differences	0	0	0	0	0
- Noncurrent assets in course of divestment	0	0	0	0	0
- Financial liabilities measured at fair value with recognition of income effects through profit and loss (variations of own creditworthiness)	0	0	0	0	0
- Actuarial profit (loss) related to defined benefit plans	-1,171	0	0	0	-1,171
- shares of valuation reserves related to subsidiaries measured at shareholders' equity	3,298	0	0	0	3,298
- Special revaluation laws	0	0	0	0	0
7. Profit (loss) for the fiscal year	8,708	0	0	0	8,708
Total	**228,967**	**0**	**0**	**-27,694**	**201,273**

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

Assets/Values	Prudential consolidation		Insurance companies		Other undertakings		Eliminations and adjustments from consolidation		Total	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	411	315	0	0	0	0	0	0	411	315
2. Equity investments	82	1.721	0	0	0	0	0	0	82	1,721
3. Loans	0	0	0	0	0	0	0	0	0	0
Total at 31/12/2020	**493**	**2.036**	**0**	**0**	**0**	**0**	**0**	**0**	**493**	**2,036**

B.3 Valuation reserves of financial assets measured at fair value with impact on total profits: annual variations

Line items	Debt securities	Equity investments	Loans
1. Initial value	**169**	**-595**	**0**
2. Additions	**489**	**6**	**0**
2.1 Increases of fair value	392	6	0
2.2 Value adjustments due to impairment	79	0	0
2.3 Reversal to the income statement of negative reserves negative from use	18	0	0
2.4 Transfers to other components of shareholders' equity (equity investments)	0	0	0
2.5 Other variations	0	0	0
3. Reductions	**563**	**1,050**	**0**
3.1 Reductions of fair value	183	1,050	0
3.2 Write-backs of value due to impairment	188	0	0
3.3 Reversal to the income statement of positive reserves: from use	193	X	0
3.4 Transfers to other components of shareholders' equity (equity investments)	0	0	0
3.5 Other variations	0	0	0
4. Final values	**95**	**-1,639**	**0**

SECTION 2 – OWN FUNDS AND BANKING VIGILANCE COEFFIECIENTS

For this section, please refer to the information regarding own funds and capital adequacy contained in the public disclosure (“Third Pillar”) of the Cambiano Banking Group, under the section “Own Funds”.

PART H – Transactions with related parties

Introduction

As specified in the Report on Management, as of 8 July (date of registration in the Register of Companies and in the Registry of Banking Groups), with the variation of the structure of Cambiano Banking Group, Banca Cambiano 1884 S.P.A. has become the "parent company", a role previously carried out by Ente Cambiano s.c.p.a.
Ente Cambiano continues to hold its shares in the Bank's capital in the amount of 92.77%, hence remaining the controlling company.

At 31 December 2020, the Bank is Parent Company of the Cambiano Banking Group composed of:
• Cabel Leasing S.p.a.
• Società Immobiliare 1884 S.r.l.

The types of related parties, as defined by IAS 24, that are significant to the Bank, include:
• the controlling company;
• the subsidiaries;
• executives having strategic responsibilities;
• close relations of executives having strategic responsibilities or companies controlled by (or associated to) the same or by (to) close relatives.

The information regarding compensation for executives having strategic responsibilities and that regarding transactions with related parties are provided here following.

1. Information on compensation for executives having strategic responsibilities

The definition of executives having strategic responsibilities, according to IAS 24, includes those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the Bank directors.

In conformity with the provisions of Bank of Italy Circular n. 262 of 22 December 2005 (6th update of 30 November 2018) the members of the Board of Statutory Auditors are also included among executives having strategic responsibilities.
The table below shows the compensation in 2020, for directors, statutory auditors and executives having strategic responsibilities.

Line items	Total 31/12/2020
a) Compensation for directors	431
b) Compensation for statutory auditors	249
c) Compensation for executives	1,322
Total	**2,002**

2. Information on transactions with related parties

Directors	31/12/2020
a) Receivables	6,660
b) Guarantees issued	236
Total	**6,897**

Auditors	31/12/2020
a) Receivables	87
b) Guarantees issued	0
Total	87

As regards transactions with parties that carry out Group administration, management and control functions, article 136 of Italian legislative decree n. 385/1993 and article 2391 of the Italian Civil Code apply.

More in general, as regards transactions with related parties, as defined by IAS 24, the provisions for prudential supervision contained in Title V, chapter 5 of the Bank of Italy Circular n. 263/2006 ("Risk activities and conflicts of interest with related parties"), also apply, save for a few cases due to the imperfect coincidence between the fields of application of the two regulations.
Transactions with related parties are regularly carried out at market conditions and always on the basis of evaluations of economic convenience and in compliance with current regulations, appropriately explanation of the convenience in concluding the transaction.
Among the various valid intergroup contracts existing at the close of the fiscal year, please note:

1) The convention stipulated between the Bank and the Controlling company relating to the execution by the Bank of administration and supervisory activities;
2) Contracts relative to execution by the Parent Company of Anti-Money Laundering, inquiry and risk management activities for subsidiaries;
3) Financing contracts:
    a) Financing for cash flow flexibility related to the financial needs of the parent company amounting to 20 million euro, granted in the technical form of opening credit in bank accounts, at a 1% rate;
    b) Financing for cash flow flexibility related to the financial needs of Cabel Leasing amounting to 197 million euro, granted in the technical form of opening credit in bank accounts, at a 1% rate.

PART M – Information on leases

This section provides information required by IFRS16 that is not present in other parts of the financial statements, divided between lessee and lessor.

SECTION 1- LESSEE

Quantitative information

The Cambiano Banking Group substantially has property leasing contracts and lease contracts related to automobiles. The property leasing contracts include, for the most part, real estate destined for use as offices, bank branches or ATM machine stations. The contracts in question generally have durations that are longer than 12 months and typically include renewal and termination options that may be exercised both by the lessor and by the lessee, in accordance with provisions of law, or specific contract terms. These contracts do not usually include the option for purchase at the end of the lease, nor significant reinstatement costs for the company. Based on the characteristics of the lease agreements, in the event of undersigning of the new rental contract with a defined contract term (6 or 4 years) and the option to tacitly renew the contract, the overall duration of the lease is set at a term equivalent to the periods in question (6+6 or 4+4). This general policy is superseded if there are new elements or specific circumstances within the contract.
Vehicle lease contracts refer to long-term rentals of company cars. These contracts have a three-year duration, with monthly payments, without the option for renewal and do not include the option to purchase the vehicle. An indemnity payment may be required in the event of early termination.
As already specified in the accounting policies, the Gruppo benefits from the exemptions permitted by the IFRS 16 accounting principle for short-term lease (that is, with a duration that is less than or equal to 12 months) or leases for goods with a modest value (that is, a value less than or equal to 5,000 euro).

Quantitative information

Part B – Assets of the explanatory notes provides the information regarding, respectively, rights of use purchased through leases (Table 9.1 – Property, plants and equipment with a functional use: breakdown of assets measured at cost and Table 9.6 bis - Property, plants and equipment with a functional use – Right of use purchased through leases: annual variations) and Part B – Liabilities provides information regarding liabilities for leases (Table 1.2 - Financial liabilities valued at amortised cost: breakdown by type of payables to customers and Table 1.6 – Financial liabilities valued at amortised cost: liabilities for leases). Specifically, the rights of use purchased through leases amount to 14,367 thousand euro, of which 14,316 thousand euro relative to property leases. Liabilities for leases amount to 14.671 thousand euro. Please refer to the above-mentioned sections for greater details.
Part C of the explanatory notes provides information regarding interest expenses on liabilities for leases and other expenses connected to rights of use purchased through leases. Please refer to the specific section for greater details.

SECTION 2- LESSOR

Qualitative information

The banking group carries out lease transactions in the role of lessor principally through the company Cabel Leasing, S.p.A., controlled by Banca Cambiano 1884 S.p.A.
Transactions mostly refer to financial leases on real estate, industrial and commercial property. The company is also present on the market with lease products referring to instrumental goods and vehicles.
The explanatory notes provide information regarding loans for leases (Part B, Assets - Table 4.2 – Financial assets measured at amortised cost: breakdown by type of receivables from customers). Please refer to the aforementioned section for greater details.
Part C of the explanatory notes provides information regarding earned interest on loans for leases and other financial and operating leases. Please refer to the specific sections for greater details.

2. Financial leases

2.1 Classification by time brackets of payments to be received and reconciliation with liabilities for leases booked in among assets

The table provides the breakdown of payments to be received by time period, the financial profits inherent to the payments due and the reconciliation between payments to be received and liabilities for leases, in conformity with the requirements of IFRS16.
The data shown in the table include payments relating to in bonis or non performing lease contracts, excluding values relating to assets being prepared for leasing and assets to be leased.
Specifically, please note that payments to be received for leases are the sum of all payments requested or that can be requested of the lessee for the duration of the lease, excluding contingent rent fees.

The secured residual value corresponds to the redemption cost inherent in the minimum lease payments for which it is reasonably certain that the right of option will be exercised.
Gross investments means the sum of minimum payments due and any unsecured residual value, due to the lessor.

Time brackets	31/12/2020
	Payments to be received for leases
Up to 1 year	46,638
From over 1 year to 2 years	37,589
From over 2 years to 3 years	32,496
From over 3 years to 4 years	26,372
From over 4 years to 5 years	20,861
Over 5 years	76,522
All payments due for leases	**240,478**
RECONCILIATION WITH LIABILITIES	
Financial profits not accrued (-)	27,422
Residual value not secured (+)	0
Liabilities for leases	**213,056**

Time brackets	Total 31/12/2020		
	Payments to be received for the lease		Total payments to be received for the lease
	Impaired positions	In bonis positions	
Up to 1 year	13,381	33,257	46,638
From over 1 year to 2 years	545	37,044	37,589
From over 2 years to 3 years	508	31,988	32,496
From over 3 years to 4 years	357	26,016	26,372
From over 4 years to 5 years	557	20,303	20,861
Over 5 years	4,011	72,511	76,522
All payments due for leases	**19,360**	**221,118**	**240,478**
RECONCILIATION			
Financial profits not accrued (-)	1,027	26,394	27,422
Residual value not secured (+)			
Liabilities for leases	**18,332**	**194,724**	**213,056**

2.2 Other information

2.2.1 Classification of liabilities for leases by quality and type of leased asset

	In bonis positions	Impaired positions
	Total (2020)	Total (2020)
A. Property, plants, equipment:	**101,287**	**15,234**
- Land		
- Buildings	**101,287**	**15,234**
B. Capital goods	**59,665**	**2,553**
C. Moveable property	**33,772**	**545**
- Motor vehicles	**32,120**	**545**
- Aircraft naval and rolling stock	**1,651**	**0**
- Other		
D. Intangible assets:		
- Brands		
- Software		
- Other		
Total	**194,724**	**18,332**

ANNEXES TO THE CONSOLIDATED FINANCIAL STATEMENTS

COUNTRY BY COUNTRY PUBLIC DISCLOSURE

The 4th update of Bank of Italy Circular n. 285 of 17 December 2013, under Title III, Chapter 2, introduces into Italian law the legislation regarding country by country reporting, as set forth in article 89 of Directive 2013/36/EU of the European Parliament and of the Council (CRD IV). In compliance with said requirements, the Bank must publish a yearly annex to the financial statements or a section on its web site containing specific qualitative and quantitative information. For this reason, it is necessary to publish the information marked by the letters a), b), and c) of annex A of the First Part, Title III, Chapter 2, referring to the situation as at 31 December 2020.

Specifically:
Name of the company and nature of the activities
Turnover
Number of employees on a full-time equivalent basis
Profit or loss before tax
Taxes on profit or loss
Public funding received

The required information is set out below.

1. Name of the company and nature of the activities

This information refers to the Cambiano Banking Group, operating in Italy, and comprising the following companies:

- Banca Cambiano 1884 S.p.A. – Parent Company of the banking group with registered offices and general management in Viale Antonio Gramsci, 34 - 50132 Florence – Share capital 232,800,000.00 euro fully paid in – fiscal code and registration number in the Company Register of Florence 002599341209, VAT code 002599341209, member of the National Guarantee Fund and the Interbank Deposit Protection Fund;
- Cabel Leasing S.p.A. – subsidiary that carries out leasing activities, with registered offices and general management in P.zza Garibaldi 3 - 50053 Empoli (FI) – Share capital 10,000,000.00 euro fully paid-in – fiscal code and registration number in the Company Register 01085070496, VAT code 04487530489, registered in the Consolidated Register as per article 106 of the Consolidated Banking Act (TUB);
- Immobiliare 1884 S.r.l. – subsidiary that carries out real estate activities, with registered offices in Viale Antonio Gramsci, 34 - 50132 Florence - Share capital euro 10,000,000.00 fully paid-in, fiscal code 06780730484 – vat code 06780730484;

2. Turnover

The 4th update of the aforementioned Circular 285/2013 defines as turnover the “operating income” recorded on line item 120 of the Income Statement.

Company	Operating income (in thousands of euro)
Banca Cambiano 1884 S.p.A.	100,889
Cabel Leasing S.p.A.	2,905
Immobiliare 1884 S.r.l.	220
Adjustments for consolidation	35
Group Total	**104,049**

3. Number of employees on a full-time equivalent basis

This section contains the ratio between the total number of hours worked overall in 2020 by all Group employees, excluding overtime, and the yearly total provided for by labour contract for a full-time employee. For 2020, the number of employees thus calculated is 387.50.

4. Profit or loss before tax

“Profit or loss before tax” is the sum of line items 290 and 320 (this latter before tax) of the Consolidated Income Statement. For 2020, profits amount to 6,842 thousand euro.

5. Taxes on profit or loss

"Taxes on profit or loss" are the sum of taxes recorded in line item 300 of the consolidated income statement as per Bank of Italy Circular n. 262 and the taxes related to groups of assets in the course of divestment. For 2020, taxes amount to -1,867 thousand euro.

6. Public funding received

The line item regarding public funding shows the funding received directly from public administrations. This line item does not include transactions initiated by central banks for the purpose of financial stability and transactions that are a part of programs for government funding approved by the European Commission. In 2020, the banking group did not receive any public funding.

Expenses for statutory audit - comma 1, n. 16-bis, art. 2427 Italian Civil Code

In compliance with the provisions of art. 2427, 1st comma, n. 16-bis of the Italian Civil Code, below is a summary statement of the fees agreed upon by contract for the 2020 fiscal year with the auditing company hired to perform the statutory audit of accounts and for other services provided to the Group.
Amounts are net of VAT and expenses.

Type of services	Subject that provided the service: auditing company / statutory auditor	Total fees (in euro)
A) Statutory audit	Deloitte & Touche S.p.A.	63,825.00
	Bakertilly Revisa Spa	46,105.00
B) Certification services	Deloitte & Touche S.p.A.	2,150.00
	Bakertilly Revisa Spa	5,413.00
C) Tax consulting services	Deloitte & Touche S.p.A.	0.00
D) Other services	Deloitte & Touche S.p.A.	
	Bakertilly Revisa Spa	10,330.32
Total fees		**127,823.32**

BANCA CAMBIANO 1884 SOCIETÀ PER AZIONI

Registered head office and general management: Viale Antonio Gramsci, 34 – 50132 Florence
Administrative head offices: Piazza Giovanni XXIII, 6 – 50051 Castelfiorentino (Fi)
Registered in the Bank of Italy Register of Banks at n. 5667
Share capital € 232,800,000.00 fully paid-in
Registration number in the Company Register of Florence, Fiscal code and VAT code: 02599341209
Parent Company of the Cambiano Banking Group, registered at n. 238 of the Register of Banking Groups