BANCA FINNAT

BANCA FINNAT GROUP

2020 ANNUAL REPORT - 91ST YEAR OF OPERATIONS

Annual report at 31 December 2020
91st FINANCIAL YEAR of operation

Contents

CORPORATE BODIES

Carlo Carlevaris
Honorary Chairman

Flavia Mazzarella
Chairman

Leonardo Buonvino
Deputy Chairman

Marco Tofanelli
Deputy Chairman

Arturo Nattino
Managing Director

Ermanno Boffa
Director

Roberto Cusmai
Director

Giulia Nattino
Director

Maria Sole Nattino
Director

Lupo Rattazzi
Director

Andreina Scognamiglio
Director

BOARD OF STATUTORY AUDITORS

Alberto De Nigro
Chairman

Barbara Fasoli Braccini
Permanent Auditor

Francesco Minnetti
Permanent Auditor

Laura Bellicini
Alternate Auditor

Antonio Staffa
Alternate Auditor

MANAGEMENT

Arturo Nattino
General Manager

Giulio Bastia
Joint General Manager
Manager in charge of preparing the accounting documents

Alberto Alfiero
Deputy General Manager

INDEPENDENT AUDITORS

KPMG S.p.A.

EXCERPT FROM THE NOTICE OF CALL OF THE SHAREHOLDERS' MEETING
(in accordance with Art. 125-bis, Paragraph 1, Italian Legislative Decree no. 58/1998)

Notice is hereby given to the Shareholders of Banca Finnat Euramerica S.p.A., that the Extraordinary and General Shareholders' Meeting will be held at the Bank's Registered Office in Rome (Palazzo Altieri - Piazza del Gesù, 49) on 30 April 2021 at 3:00 pm in single call, except in the case of updates, which shall promptly be communicated, resulting from developments linked to the COVID-19 health emergency, as well as from any regulatory provisions that should be issued in relation to this emergency, to discuss and resolve on the following:

AGENDA

Extraordinary part

1. Proposals to amend articles 5, 7, 12, 12-bis, 13-bis, 15, 16 and 20 of the Articles of Association. Elimination of art. 25. Proposal to renumber the articles of the Articles of Association; inherent and consequent resolutions.

General part

1. Statutory financial statements for the year ended 31 December 2020 complete with the related reports by the Board of Directors, the Board of Statutory Auditors and the Auditing Firm. Presentation of the consolidated financial statements at 31 December 2020. Resolutions pertaining thereto and resulting therefrom.
   1.1. Approval of the financial statements;
   1.2. Resolutions regarding the allocation of the result for the year.
2. Appointment of the members of the Board of Directors for the financial years ending at 31 December 2021, 2022 and 2023; resolutions pertaining thereto and resulting therefrom.
   2.1. Determination of the number of members of the Board of Directors.
   2.2. Appointment of the members of the Board of Directors.
   2.3. Determination of the remuneration of the members of the Board of Directors.
3. Appointment of the Honorary Chairman and determination of the duration of office; resolutions pertaining thereto and resulting therefrom
4. Appointment of the members of the Board of Statutory Auditors for the financial years ending at 31 December 2021, 2022 and 2023; resolutions pertaining thereto and resulting therefrom.
   4.1. Appointment of the members of the Board of Statutory Auditors and its Chairman.
   4.2. Determination of the remuneration of the members of the Board of Statutory Auditors.
5. Report on remuneration policy and compensations paid in accordance with Article 123-ter of Italian Legislative Decree 58/98 and 84-quater of the Regulation adopted by Consob with resolution no. 11971 of 14 May 1999, including the disclosure of remuneration policies in favour of Directors, Employees and outside workers who are not employees. Resolutions pertaining thereto and resulting therefrom.
   5.1. Binding resolution on the first section of the report on the remuneration policy, prepared pursuant to art. 123-ter, paragraph 3 of Legislative Decree 58/1998.
   5.2. Non-binding resolution on the second section of the report on compensations paid prepared pursuant to art. 123-ter, paragraph 4 of Legislative Decree 58/1998.

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It should also be noted that the date and/or place and/or participation and/or methods of voting and/or holding of the Shareholders' Meeting indicated in the call notice are subject to compatibility with legislation in force and/or the provisions issued by the competent authorities based on the COVID-19 health emergency, in addition to the fundamental principles of the protection of the health of the company's shareholders, employees, representatives and advisors. Any changes shall promptly be communicated according to the same methods as those envisaged for the publication of the notice and/or, nonetheless, through the information channels set forth in the legislation in force from time to time.

Furthermore, in order to ensure the timely receipt by the Company of the communications and deeds indicated in the call notice, the Shareholders are invited to give preference to the use of the electronic notification tools indicated in the same notice instead of the postal services which, taking into account the current emergency, could be subject to delays.

In consideration of the COVID-19 health emergency and in relation to the provisions contained in art. 106, paragraph 4 of Law Decree no. 18 of 17 March 2020, converted with amendments by Law no. 27 of 24 April 2020 (as subsequently amended), participation in the shareholders' meeting and the exercise of voting rights can only take place through the conferral of the appropriate proxy to the Appointed Representative.

Information about:

- attendance at the Shareholders' Meeting (in this regard, it is specified that the "record date" is 21 April 2021);
- participation in the Shareholders' Meeting and the exercise of voting rights, exclusively through the Appointed Representative;
- the right to ask questions on the items on the agenda;
- the exercise of the right to add to the agenda and to submit new draft resolutions as well as the option to individually present draft resolutions;
- the procedure for the appointment of the members of the Board of Directors and the Board of Statutory Auditors;
- the availability of the reports on the agenda items and of the documentation pertaining to the Shareholders' Meeting;
- the share capital;

is provided in the full text of the call notice available on the website www.bancafinnat.it ("Investor Relations / Corporate Governance / Shareholders' Meetings" section) and at the authorised storage mechanism called "NIS-Storage" (on the website www.emarketstorage.com).

Rome, 20 March 2021

The Chairman of the Board of Directors
(Ms. Flavia Mazzarella)

2020 PARENT REPORT

REPORT ON PARENT OPERATIONS AND DRAFT RESOLUTIONS FOR THE SHAREHOLDERS OF BANCA FINNAT EURAMERICA S.P.A.

Dear Shareholders,

Prior to presenting the report on operations for 2020, following is an overview of the domestic and international macroeconomic background, on the financial markets and on the property market in 2020.

Domestic and international macroeconomic background

2020 will be remembered as a historic year and characterised by a truly unique economic parable. Due to the generalised production lockdowns made necessary in order to minimise the possibility of contagion due to the COVID-19 pandemic, which initially emerged in Asia at the end of 2019 and then spread globally at the beginning of 2020, the global economy has suffered the strongest contraction ever recorded, especially in the second quarter. The US Gross Domestic Product thus suffered a fall of 31.4% in annualised terms, after having already lost 5% in the first quarter; the Eurozone GDP fell by almost 15% in annual terms, after a decline of 3.1% in the first quarter, with retail sales falling by almost 20% in annual terms in April; in Italy, GDP suffered, again in the final balance of the second quarter, an annual contraction of almost 18%, after having lost 5.5% in the final balance of the first quarter, with an average daily production fall, on average, of 31.1% in the March/May quarter; in the United States, 20 million people lost their jobs in April alone and the unemployment rate, from the lowest of the last 50 years of 3.5% of the workforce, in just two months went up to 14.8% in the wake of the most marked decline ever recorded in employment and in the total number of hours worked, while the effects on unemployment rates were all in all limited or transitory thanks to the employment support measures adopted by many governments. In the same American economy, after unemployment reached 14.8% in April, the same rate decreased to 6.7% already in November while in the Eurozone the unemployment rate went up to 8.4% from a historical minimum of 7.2% reached in March 2020 but very far from the peak of 12.7% recorded in February 2013. If much of the strong economic contraction recorded during the first half of the year was the result of the indiscriminate measures to close economic activities made necessary above all due to the uncertainty about the nature of the virus and the methods to be implemented to combat it, the economic rebound that materialised starting from the 3rd quarter of the year was determined not only by the progressive recovery of many production activities and the restoration of supply chains but above all by the effectiveness of the ultra-expansive fiscal and monetary policy measures, unprecedented, adopted by government authorities. 9 trillion dollars have been paid into the economic systems by the main central banks while in the Eurozone, of particular relevance was the agreement on the Next Generation EU program, which will allow the European Union to borrow up to 750 billion euros in order to grant transfers and loans to Member States, especially those most affected by the spread of the infection. The American economy thus managed, during the third quarter, to rebound by 33.4% in annualised terms (with consumption growing by 41%) while the GDP of the Eurozone recorded a quarterly growth of 12.5% even though the annual change remained negative by 4.3%, compared to the same quarter of the previous year. In Italy, after undergoing a contraction of 13% in the second quarter, the gross domestic product rebounded by almost 16% in the third, albeit with an annual change that remained negative by 5%. The COVID-19 Pandemic should have led to an unprecedented decline for the global economy overall in 2020, with contractions in gross domestic product not far from 5.6% for advanced economies and 3.1% for emerging ones, with the USA's GDP likely to fall by 3/3.5%, the Eurozone economy down by 7.5%, the Italian economy down by 9% and the Japanese economy by 5.2%, while approximately 345 million jobs were lost globally. Where subsidies and a halt to lay-offs allowed employment levels to be maintained, wages fell, on average, by about 11%. Only China, for years the driving force of the global economy, as well as the epicentre of the pandemic at the end of 2019, managed to close the year, unique among the great economies of the planet, with a growth in its gross domestic product of 2.3%. After having also suffered, during the first quarter, the first strong economic contraction of the last thirty years, with an annual fall in GDP of 6.8%, a highly efficient management of the fight against the pandemic allowed gross domestic product to rebound, again in annual terms, by 3.2% in the second quarter, by 4.9% in the third and by as much as 6.5% in the fourth.

The strong economic contraction that occurred during the second quarter then hit industrial sectors in a highly asymmetrical way, penalising above all services based on personal interactions with their users.

In the United States, consumption of "recreational" services suffered a decline of 49% in the second quarter of 2020, while consumption of "transport" services fell by 34%. Conversely, the consumption of durable goods, usually heavily penalised during "classic" recessions, suffered a limited contraction of 0.3%.

The COVID-19 pandemic also dried up, almost globally, the stock dividends usually paid by companies to their shareholders (with contractions of over 200 billion dollars). Europe suffered a dividend cut of 25%, the UK of 47%, Asia Pacific of 20.1% and Japan of 16.5%. Emerging markets (-2.3%) and North America (-4.7%) held up better. At sector level, cuts in the pharmaceuticals, food and retailers sectors were avoided, while the auto and leisure industries were particularly penalised.

The effect on Italian companies listed on the FTSE MIB index alone was 8.6 billion euros, of which 6.6 billion euros of lower dividends paid by banks and insurance companies which received instructions from the supervisory authorities not to remunerate its shareholders in order to preserve the capital necessary to face the difficulties inherent in the current difficult economic situation.

One of the most dangerous, long-term economic consequences of the pandemic that is still underway is represented, however, by the dramatic increase in global debt, destined to exceed, according to the IMF, the size of global GDP (101.5%), with the number of countries where government debt is now higher than GDP up from 19 to 30. The pandemic has therefore engulfed the world in a sea of debt.

The debt/GDP ratio of the G7 countries went from 118% to 141% while in the euro area the ratio went from 84% to 101%, while the debt of emerging countries remains under control (64%). If the analysis is extended to aggregate debt (including households and businesses), 365% of GDP is reached (432% for the most developed countries alone).

In terms of monetary policies, on 10 December 2020 the Governing Council of the ECB confirmed the interest rates policy with a reference rate fixed at zero and that on deposits equal to -0.5%. Furthermore, in light of the economic fallout from the ongoing pandemic, the Governing Council has decided to recalibrate its monetary policy instruments by increasing the capital of the Pandemic Emergency Purchase Program (PEPP) by an additional 500 billion euros, reaching a total of 1,850 billion euros. It also extended the horizon of net purchases, as part of the PEPP, at least until the end of March 2022, establishing in any case that the Governing Council can conduct net purchases until the critical phase linked to the coronavirus is deemed to have been completed. The Governing Council has also decided to extend the period of time within which to reinvest the repaid principal on maturing securities, again under the PEPP, at least until the end of 2023 while net purchases under the asset purchase program (APP) will continue at a monthly rate of 20 billion euros. Subsequently, on 16 December, the Fed's Monetary Policy Committee also decided to keep policy rates steady at 0.25%, communicating that it will continue to make purchases of government bonds at a rate of 80 billion dollars/month and government agency securities at a rate of 40 billion/month until significant further progress is made towards the goals of maximum employment and price stability.

Meanwhile, the latter continue to remain stable in the main advanced (+ 0.6%) and emerging (+ 3.6%) economies, with inflationary pressures that are believed to remain moderate in the short and medium term due to the low level of aggregate demand. At the end of 2020, the trend in "core" consumer prices is expected to settle at 1.6% in the USA, at 0.2% in the Eurozone and to be zero in Japan.

The financial markets

The pandemic inevitably marked the year in terms of stock market prices. After one of the most dramatic falls in the history of the stock exchanges (the American S&P 500 stock index fell by 35% in March compared to the highs reached in February), global equities, by virtue of the 9 trillion dollars of liquidity poured into the markets by the main central banks and thanks to the fiscal support measures offered by governments to alleviate the economic consequences of the pandemic, also recorded perhaps the most spectacular recovery in history (the S&P 500 index itself grew by about 70% from March to December). Faced with expectations of significant macroeconomic contractions for global economies, the MSCI World index closed the year 2020 with a positive performance of 11.5% while in Europe the representative Stoxx 600 index lost 3.7%; the recovery in share prices was therefore, in this case, only partial, suffering from the composition of European stock markets being much less reactive to the economic rebound recorded during the third quarter. Investors thus continued to penalise the sectors whose profitability was most affected, including the energy and financial sectors. With the exception of Frankfurt (Dax index at + 3.55% on 2019), all the remaining European lists closed the year with a loss, with the Eurostoxx 50 index at -5.1%, Madrid (Ibex 35 index) at -15.45%, London (FTSE 100) at -14.3%, Paris (CAC 40) at -7.1%. At a sectoral level, in Europe, the best performers in the year were technology stocks (+13.9%), followed by the retail and basic resources sectors (both at +9.2%), chemicals (+9%) and utilities (+8.9%), while the worst performers were oil & gas (-25.1%), banks (-23.9%), telecommunications (-15.1%), travel & leisure (-14.7%) and insurance (-13.2%). In Milan, the FTSE MIB stock index recorded a limited contraction of 5.4%, compared to the loss of 17.6% recorded at 30 June 2020, burdened by the weight of the banking and energy sectors, but the STAR index of medium-sized companies offered a positive performance of 13.7%. On the entire Italian list, the number of listed companies is now equal to 377, with 22 new registrations (one on the main MTA market and 21 on the AIM segment which closed the year down by about 7%) compared to 35 in 2019 and 31 of 2018. Capitalisation stands at 645 billion euros, equal to only 37% of the national GDP and equal to 7.8% of the total capitalisation of the euro area stock market (the French market accounts for 33.8% and the German one for 26.2% of the total capitalisation of the eurozone).

On the geographic side, the undisputed drive to the recovery of equity markets came from Wall Street, able to set new records during the last months of the year not only with regard to the Nadsaq technological index (+43.2% over the entire 2020) but also with reference to the index representing the 500 largest listed companies by capitalisation (S&P 500), which closed the year with a gain of 15.5%. Both indices benefited from expectations that corporate earnings would be able to return to 2019 levels as early as 2021. Following the driving force in New York, Asia (+13.3%) and the emerging countries (+14.6) stock exchanges grew, with the Shanghai/Shenzhen index (CSI 300) at +27.2 % despite China being the initial epicentre of the pandemic crisis. In Japan, the Nikkei 225 index is back to the levels of 30 years ago, with an annual gain of 16%.

In the bond sector, bonds with a negative rate have now reached 18 trillion dollars and even the yield of the Italian ten-year BTP collapsed to historic lows, closing the year at 0.52% and only 108 basis points above the yield of the German Bund counterpart, after hitting a peak of 280 points spread in March.

On the European government bond markets, the widespread turbulence that occurred in March and April gradually eased with trading liquidity and spreads returning to levels close to those observed before the health crisis, also reflecting the unfolding of the positive effects of the purchase program of public and private securities for the pandemic emergency (Pandemic Emergency Purchase Program - PEPP) promoted by the European Central Bank.

On the domestic market, public interventions in support of households and businesses significantly increased the financing needs on the primary market for government bonds and to meet these commitments, the Treasury not only increased the average amounts at auction but has also expanded the tools at its disposal.

A new facility reserved for specialists was activated for the issue of off-the-run securities through the MTS platform and two issues of BTP Futura (type of securities dedicated to retail investors) were made. Yields on issue then decreased by around 100 basis points from the highs reached between April and May, reaching negative values for maturities up to three years and reaching historic lows for most of the issue lines. The average cost of debt securities issued therefore reached 2.4% at the end of October with an average life of 6.9 years.

The improvement in financial market conditions also affected the private debt sector. Spreads on corporate bonds fell below their historical average in both investment grade and high yield, despite the number of downgrades remaining high and default rates significantly increasing. Some rating agencies expect the incidence of defaults to continue to rise over the next few months, while remaining below the level reached during the last decade's financial crisis, and then begin to decline from mid-2021 in a scenario in which the pandemic can finally be controlled. The placement of new loans to the most indebted companies, which was almost interrupted in March during the most acute phase of the market turmoil, resumed vigorously in the high-yield bond sector and more slowly in that of leveraged loans.

On the commodities markets, energy products suffered considerable drops in their prices even if in sharp recovery compared to the prices reached at 30 June 2020. WTI crude oil listed on Nymex closed the year with a loss of 21.4% while Brent quality listed on the ICE in London recorded a drop of 22.4%. The performance of Nymex contracts was also negative for both diesel (-17.6%) and heating oil (-27.5%), while the prices of natural gas listed on the ICE exhibited a sharp countertrend. Prices showed an annual increase of 83% compared to the fall of 47.8% that the same contract had suffered from the beginning of the year to the end of the first half.

In the precious metals market, the great economic uncertainties favoured investments in silver (+48.4%) and gold (+25%) while the expectations of a possible post-pandemic economic recovery benefited industrial metals such as aluminium (+10,5%), copper (+27.1%), iron ore (+55.2%) and nickel (+19.6%). Among agricultural products, wheat yielded 13.7% in the year, the price of soybeans increased by 39.5% while corn gained 23.3%. Among colonial products, cotton offered a positive performance of 12.6%, sugar grew by 13.5% while the price of coffee fell by 1.9%. On the foreign exchange markets, the single European currency appreciated during the year by almost 11% against the US dollar, by 4.4% against the Japanese yen, by 6.1% against the British pound, while it depreciated by 0.8% against the Swiss franc.

The property market in 2020

During 2020, the real estate market, even though recording an inevitable slowdown in investments as a result of the more prudential and precautionary approach of investors, in particular international ones, due to the situation of uncertainty caused by the global health emergency, showed a substantial resilience, also characterised by the evolution of market trends in certain asset classes, driven by the ever increasing growth and diffusion of phenomena such as e-commerce and smart working.

In 2020, operations for around 8.8 billion euros were closed (around 30% less than in 2019 which, however, is to be remembered as a record year for the sector in Italy). More specifically, 2020 volumes are in line with those of 2018, up by about 15% compared to the annual average of the last 10 years, but down by about 12% compared to the annual average of the last 5 years.

Leading the volumes of the year just ended is the office asset class with approximately 3.7 billion euros invested, followed by logistics which contributed to the annual total with approximately 1.4 billion euros, an increase of approximately 6% compared to 2019. Retail closed with approximately 1.4 billion euros invested, a decrease both compared to 2019 and to the annual average of the last 5 and 10 years. In terms of volumes, in 2020, mixed products and alternatives follow with investments of just over a billion each, confirming the growth trend that has been observed for some years now. In particular, in the case of alternatives, the affirmation of a new investment asset class clearly emerges: institutional residential, which in 2020 concentrated almost half of the total invested in this category. Following in 2020, among alternatives, but at a certain distance, investments in RSA for about 120 million euros and those in data centres for about 100 million euros. At the bottom in terms of volumes, the hotel sector, together with retail among the most penalised by the effects of the pandemic, which in 2020 totalled approximately 750 million euros in investments, down by about 80% compared to the 2019 record year. In the light of this data, an evident preference emerges for the traditionally more liquid asset classes (Core Offices) but also for those that benefit most from the technological, demographic and social changes taking place (logistics, residential in various forms and data centres).

The city of Milan closed 2020 with investments of approximately 3.9 billion euros: approximately -23% compared to 2019 but in line with the annual average of the last 5 years. The volume driver is confirmed to be the Office sector with approximately 2.5 billion euros invested (approximately 65% of the total), down by approximately 35% compared to 2019 but in substantial alignment with the annual average of the last 5 years. The logistics product followed with around 700 million euros, up compared to 2019 both in absolute (+70% approximately) and relative terms (share of total in 2020 was 18% compared to 8% n 2019).

In Rome, investments amounted to around 900 million euros, down both compared to 2019 and to the annual average of the last 5 years (approximately -50% and -40% respectively). Offices represented 75% of the total, recording a reduction of about 10% compared to 2019 and 25% compared to the annual average of the last 5 years. Volumes in the retail and hotel sectors are decreasing (approximately -85% each), which in particular in the last two years significantly contributed to the total, representing the second investment asset class in the city.

The scenarios for 2021 predict that logistics (especially last mile logistics in densely populated areas and Grade A logistics assets in markets with high or increasing e-commerce penetration) and residential will be among the preferred asset classes for investors, together with investments in core offices in primary cities (for Italy essentially only Milan). Investors with a propensity for risk could transform office properties in secondary locations into residential properties and purchase - in tourist destinations - properties for hotel use at cheaper prices. Among the alternative asset classes in 2021, investors will turn to healthcare, senior housing, data centres and infrastructures.

Dear Shareholders,

we submit for your evaluation and approval the separate financial statements closed at 31 December 2020 which show a net profit of 5,581 thousand euros, higher by 4,803 thousand euros compared to that of the previous year which was equal to 778 thousand euros, despite the spread of the COVID-19 virus and the consequent restrictive measures for its containment put in place by the public authorities of the countries concerned.

The result was affected, however, by the impairment losses for credit risk relating to performing financial assets, prudently increased to take account of the economic crisis, in line with what is indicated by the Regulatory Authorities.

The effects of the spread of COVID-19 are outlined in detail in the paragraph "The main transactions and events in the year".

The main components that contributed to the financial year results for 2020 are shown below, compared with the corresponding figures of the previous year:

Total income amounted to 44,230 thousand euros, compared to 42,310 thousand euros in the corresponding period of the previous year. The total increase by 1,920 thousand euros (+4.5%) consists of the following:

Increases

- 424 thousand euros for Net fee and commission income (21,713 thousand euros at 31 December 2020, compared to 21,289 thousand euros in the previous year);
- 1,484 thousand euros as Net trading expense. At 31 December 2020, the item had a negative balance of 253 thousand euros, compared to a negative balance of 1,737 thousand euros in 2019;
- 742 thousand euros for Net gain from disposal of financial assets at amortised cost and financial assets at fair value through other comprehensive income (positive balance of 1,448 thousand euros at 31 December 2020, compared to a positive balance of 706 thousand euros in 2019);
- 977 thousand euros for the Net losses on other financial assets mandatorily measured at fair value (a negative balance of 253 thousand euros at 31 December 2020 compared to a negative balance of 1,230 thousand euros in 2019).

Decreases

- 143 thousand euros for Net interest income (16,235 thousand euros at 31 December 2020 compared to 16,378 thousand euros in 2019);
- 1,564 thousand euros for Dividends and similar income (5,340 thousand euros at 31 December 2020, compared to 6,904 thousand euros in 2019).

Net impairment losses for credit risk. This item showed net impairment losses totalling 5,234 thousand euros relating to impairment losses of Financial assets at amortised cost (5,584 thousand euros) and to value recoveries of Assets at fair value through other comprehensive income (350 thousand euros).
In the last financial year, impairment losses had instead been made on Financial assets at amortised cost of 12,161 thousand euros (of which 12,219 thousand euros related to the specific impairment loss made by the Bank on the Bio-on credit) and value recoveries relating to Assets at fair value through other comprehensive income of 157 thousand euros.

Administrative expenses amounted to 34,042 thousand euros compared to 32,284 thousand euros in 2019 and are made up as follows:

- personnel expenses of 21,486 thousand euros, up by 2,296 thousand euros compared to the previous year (19,190 thousand euros). The increase is mainly attributable to the activation of the incentive system not present last year;
- other administrative expenses of 12,556 thousand euros decreased by 538 thousand euros compared to the same period of the previous year (13,094 thousand euros). The other administrative expenses include recoveries from customers of some costs allocated under Other operating income/expenses.

Depreciation and net impairment losses on property, equipment and investment property. The item includes impairment losses of 2,299 thousand euros (2,318 thousand euros in 2019) and comprises the depreciation of the right to use assets acquired under leases, amounting to 1,977 thousand euros (1,998 thousand euros in 2019).

Other operating income, net showed a positive balance of 4,674 thousand euros versus 5,013 thousand euros in 2019. Income comprises the recoveries of costs from customers, amounting to 4,318 thousand euros (4,566 thousand euros in 2019).

Income taxes amount to 1,193 thousand euros; last year they showed a positive balance of 989 thousand euros.

* * *

The comprehensive income for the 2020 financial year that also includes the change in the "Valuation reserve" is reported in the Statement of Comprehensive Income.

Direct and indirect deposits

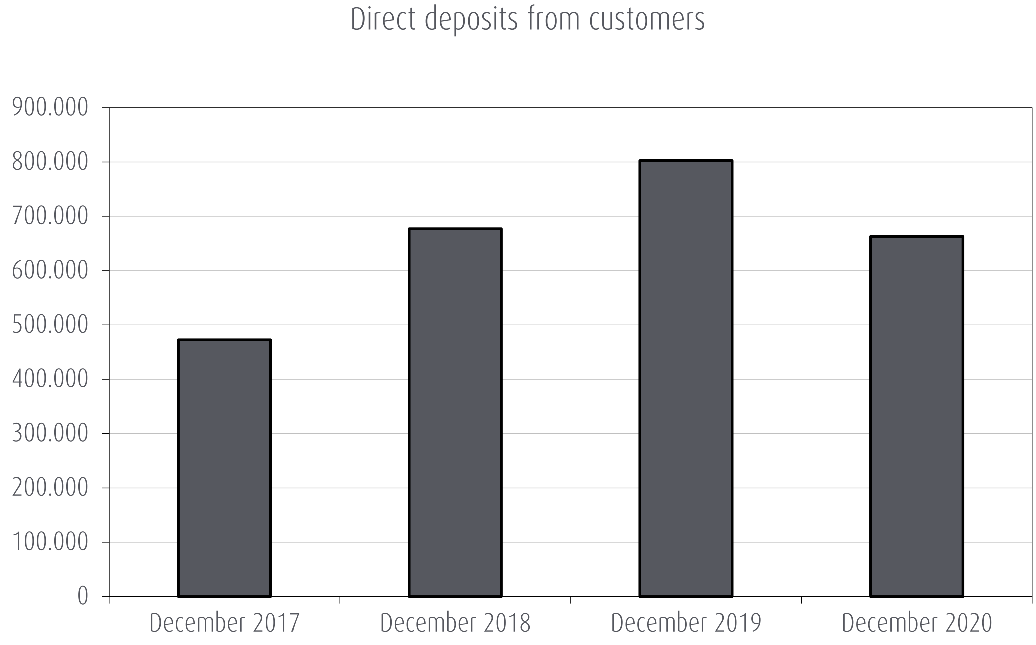
The breakdown of the Bank's deposits is as follows:

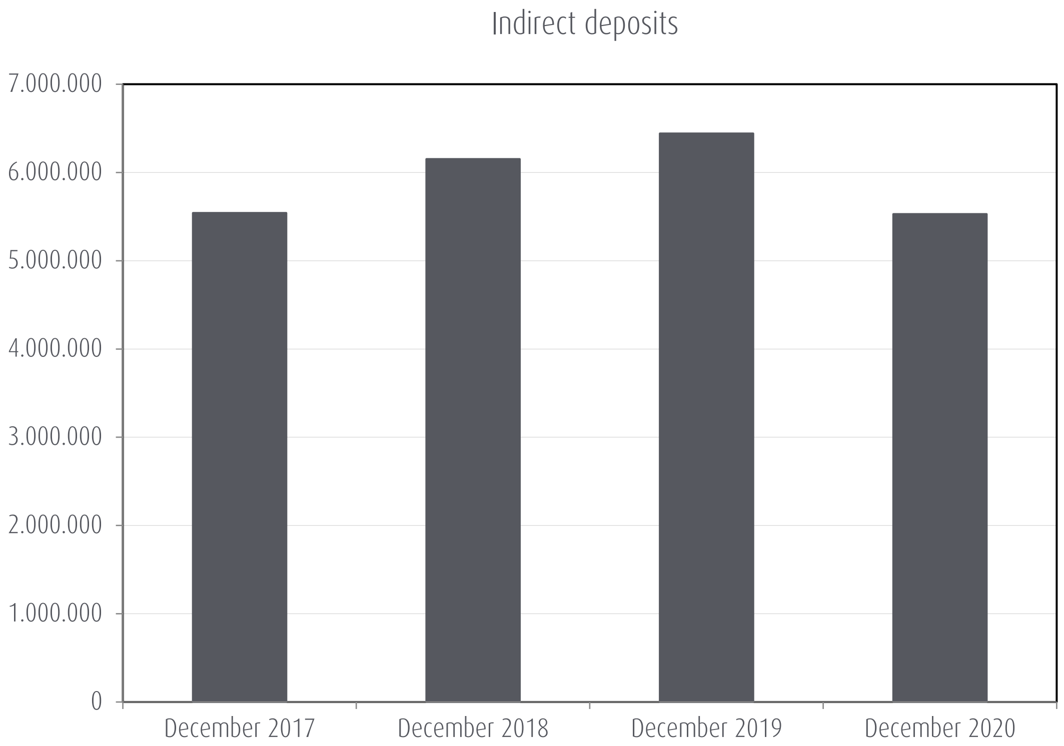
(in thousands of euros)

	December 2017	December 2018	December 2019	December 2020
Direct deposits from customers	**472,787**	**677,119**	**802,644**	**663,025**
- Due to customers (current accounts)	358,892	439,262	565,790	478,268
- Time deposits	91,301	209,607	211,941	184,757
- Securities issued	22,594	28,250	24,913	-
Indirect deposits	**5,540,931**	**6,152,748**	**6,441,594**	**5,528,219**
- Individual management	571,803	480,921	484,820	516,798
- Delegated management	285,681	278,565	279,479	256,551
- Deposits under administration (UCIs and securities)	3,924,304	4,544,537	4,539,880	3,524,466
- Deposits under administration under advice (UCIs and securities)	649,060	695,044	859,826	921,118
- Third-party insurance products	110,083	153,681	277,589	309,286
Total deposits	**6,013,718**	**6,829,867**	**7,244,238**	**6,191,244**

In particular, direct and indirect deposits from customers, described above, do not include repo transactions having the Cassa di Compensazione e Garanzia as the counterparty.

All assets shown in the statement also take into account the amount invested in them and originating from the other types highlighted.




Indirect deposits
7.000.000
6.000.000
5.000.000
4.000.000
3.000.000
2.000.000
1.000.000
0
December 2017
December 2018
December 2019
December 2020

Operative offices

The Bank has operative branches in Rome, Milan and Novi Ligure.

The head office is at Piazza del Gesù, 49, Rome, where 3 branches are also located: in Corso Trieste 118, in Via Catone 3 (Piazza Risorgimento) and in Via Piemonte 127.

Business segments

Following is an overview of the activities carried out by the Bank and Group companies in 2020:

Investment Banking

The COVID-19 emergency obviously strongly influenced the Investment banking activities and not only for the impacts on the financial markets which, starting from March, were also very important.
The operating structures found themselves forced, in extraordinarily rapid times, to review their procedures and to readjust their processes in order to promote "remote" working methods as much as possible; and this even in the carrying out of activities that have always been characterised by the use of specific physical places, particularly equipped with advanced technologies (the "operating rooms").

In this quickly changing context (and unimaginable until a few months ago) the structures of our bank involved in the provision of services have shown great flexibility, resilience and efficiency.

Organisational measures were quickly adopted and implemented that were able to combine the need to protect the health of colleagues with that of being able to guarantee the continuity of the service (for which processes were maintained at the Bank, albeit in a reduced manner).

Even the "development" on institutional customers, an objective that in the very first phase of the emergency was sacrificed with respect to the primary objective of service continuity, saw a recovery in the second half of the year, albeit more difficult given that for a certain type of activities the physical meeting with counterparties and institutional investors represents an essential moment for identifying opportunities and proposing customised solutions.

There were increases on various indicators on securities brokerage activities.

As far as volumes are concerned, a certain stability was recorded in the bond sector while there was growth in the derivatives and shares sector, particularly marked on foreign equities. This derives not so much from the increase in the number of transactions but rather from the increase in the average transaction, a phenomenon that has been recorded in all segments.

Also passing to the analysis of data on brokerage commissions, a similar and even more marked growth trend is highlighted (over +20%).

Activities on Co2, a niche sector in which the bank has dealt with for some years now with a dedicated desk, are also growing slowly but steadily.

Corporate Booking offices also belong to the trading sector; on this front, the bank remains the market leader as a specialist on the AIM market even if the entry into the competitive arena of additional entities has led to a slight reduction in the number of mandates. The Bank, partly due to increased competition, partly due to the pandemic and the concerns expressed by many client companies, has decided to slightly lower its rates. The combination of these circumstances led to a marginal reduction in fee income so far, but it is destined to become more significant from next year.

However, new mandates were won from issuers, also for different services such as the execution of buy-back plans.

Revenues from specialist Back office services to support listed Issuers (Seq services) are still very significant.

Own-account activities produced very significant margins even if, obviously, not to the same extent as in 2019, a year in which the markets had an extraordinarily positive trend.

In Asset Management, extremely satisfying results were produced for customers. Also in this case, the absolute results were not as high as those of 2019, but in any case decidedly positive and, unlike the previous year, higher than the reference benchmarks so that overperformance commissions were generated.

These results were achieved in a very complicated market context that the bank managers faced and managed in an exemplary way. In fact, portfolios had been lightened at the beginning of the year when the trend was particularly positive which mitigated the negative effects of the collapse in March. Immediately afterwards, our managers did not panic - which was a common reaction at that time - and rather gradually reinvested, thus significantly benefiting from the markets recovery which then materialised.

The data on deposits on assets under management is overall positive even if strongly influenced by significant flows relating to a single institutional mandate. Net of these particular situations, the remaining deposits in asset management proved to be substantially resilient despite the collapse of the markets recorded in March, which, however, led some customers to focus on very low risk products or even on liquidity; customers who maintained their investments in assets under management without lowering their risk profile benefited greatly and, as mentioned, ended the year with positive performance.

The assets of customers who have relied on our consultancy service have shown significant growth.

In the last part of the year, activities were also launched aimed at the innovation of products and services, of which we cite the two most significant examples.

In November, the preparation of a new family of asset management was started which will join the traditional ones and which will see greater interaction between our consultants and clients in the definition not only of the strategic asset allocation but also of the tactical approach that is gradually adapted to changing customer expectations and various market conditions. Collections on this product should start in the first half of the year.

We are also turning to a growing number of other intermediaries, typically asset managers and executors of orders, with highly integrated services: these intermediaries thus see the Bank as a "partner" which, starting from intermediation activities, also supports them by offering directly to their clients the related custody and administration services. Returns are also expected from these activities, in which the bank is investing, starting from the 2021 financial year, given that several new intermediaries have already been identified as new customers.

Advisory & Corporate Finance

The year 2020 was characterised by the impacts on the economy linked to the critical issues connected to the spread of contagion and the regulatory measures adopted to limit the expansion of the COVID-19 epidemic. In this context, the activity of Advisory & Corporate Finance, in consideration of the customer profile and operational peculiarities, was affected by a slowdown in activities which, although promptly restarted in the second half also with the acquisition of various mandates, led to a postponement of part of the activity to financial year 2021.

During the year and in the context of the market moment attributable to COVID-19, the team continued to manage the assignments in progress, acquiring new ones, including the following financial assistance activities to customers: i) structuring and implementation a financial transaction aimed at finding the resources necessary for the completion of an acquisition (management buy in) promoted by managers active in the industrial packaging sector; ii) assistance to a company active in the renewable energy sector in order to structure and complete the issue of a debt instrument classified as a sustainable instrument, able to be listed; iii) remodelling/restructuring of a medium/long-term loan to a company active in the real estate sector, with particular reference to the leasing of commercial and office space; iv) identification of a strategic path aimed at creating a new corporate group active in the sector of windows and doors and their related processing; v) assistance to a company active in the energy efficiency sector, aimed at preparing an economic and financial plan useful for identifying and implementing one or more financial interventions of an extraordinary nature, functional to achieving the company's growth objectives; vi) assistance to a primary operator active in the real estate sector for the preparatory activities for the presentation to the Municipality of Rome of an urban redevelopment project and for finding the necessary financial resources to support it; vii) for a company active in the marketing of tools and hardware, study of an extraordinary financial transaction as well as rationalisation of the financial structure, through the redefinition of the repayment term of some credit lines and obtaining new medium/long-term replacement lines; vii) assistance to a company active in the e-learning market, aimed at identifying extraordinary solutions and interventions that can strengthen the company's competitive position.

The activity regarding the listings of SMEs also continued with the acquisition at the end of the year of two mandates for the listing on the AIM Italia market with regard to a company active in services for the real estate sector and a company active in the credit brokerage sector.

Moreover, the following were completed: i) financial assistance for the updating of the business plan of a company operating in the apparel marketing sector and for relations with its credit institutions/lenders; ii) financial assistance to the promoter company involved in the construction of a service infrastructure and of tourist attractions (including an aquarium) as part of a project developed in the city of Rome.

Lastly, in 2020, the on-going Nomad activity for some companies listed on the AIM continued. At 31 December 2020, 19 companies were assisted on the AIM Market, confirming the market position acquired.

Commercial Division

2020 required a significant organisational and innovation effort. From the point of view of economic results, the established quantitative targets have been exceeded. But the real success consisted in keeping all private centres always open, paying the utmost attention to the health of colleagues and customers. We have always assisted customers in person, implementing the necessary security measures, in such a way as not to need unusual booking processes or annoying waiting times.

The complexity of reading the evolution of economic variables and the effects on the financial markets required innovation in communication.

In particular, some macro trends were defined and transformed into both tactical and long-term investment solutions. This vision has inspired new communication tools, such as monographs and interviews sent to our clients in consultancy and management. This method of analysis and definition of financial instruments and communication is now an integral part of our service model.

This in-depth research and consultancy ensured that the returns of the advisory portfolios were decidedly positive, as was the performance of the managements. The quality of our advisory service was reflected in a significant growth in trading fees.

A particularly active role involved wealth planning, collaborating with Finnat Fiduciaria and with corporate finance. The rise in corporate transactions saw us particularly active with building escrow accounts. The service business for Trusts has grown.

The in-depth study of tax issues for UHNWIs has led us to structure a commercial and product proposition dedicated to non-residents and new residents. In fact, Italy is proving to be attractive for foreign UHNWIs who intend to come and

live in Italy by taking advantage of our country's specific tax benefits and quality of life. The bank intended to offer a wide range of investment, banking and wider support solutions in the settling of these top customers in Italy.
From the point of view of credit granting, support initiatives were made to all borrowing customers, anticipating government measures. We also activated credit support formulas assisted by MCC, meeting the needs above all of professionals, adapting our lending model to an unusual mode for a private bank.
Consistent with the growth objectives of the commercial network, the Family Office structure was strengthened.
In the context of the product and service platform, we must remember the new mobile banking app which made banking easier to use in the lockdown phase and we have introduced a multi-branch policy with Zurich, which represents an innovation in the Bank's approach to the unit world. To date, the placement of insurance products has focused on first class, third class or pension fund products. The need to reduce the volatility deriving from the bond component in a scenario of very low or negative interest rates and the richness of the hedges led us towards multi-branch solutions. In this way we allow a highly personalised asset allocation, with reduced volatility, considerable insurance content in the event of death and versatility in redemption.

Asset Management - Real Estate Fund Management

InvestiRE SGR is positioned in the market as a primary operator, specialised in the development of property portfolios in different market segments, aimed at national and international investors. InvestiRE, based on the latest data available, is the third asset management company in Italy and at 31 December 2020 it managed approximately 6.6 billion euros of assets through 48 funds (all reserved funds except one retail fund) and it represents over 250 national and international institutional investors, including insurance companies, pension, private equity, real estate funds and banks. As a whole, in 2020 the managed assets underwent a net decrease of approximately 6% compared to 31 December 2019.

In particular, the main marketing activities are described below, and they involved:

- the sale of the entire residual real estate portfolio of the Vesta Fund, with the final closure of the liquidation in July;
- the funds comprising mainly residential properties (FPEP, Helios, INPGI, INPGI Hines and Apple) which continued the fractional sale activities and finalised deeds for a total price of approximately 93.7 million euros;
- the social housing Funds, which continued the apartment marketing activities (lease, future sale agreement, sale); in particular, the Cà Granda Fund completed sales for a total amount of 22 million euros;
- the Funds with a short-term disinvestment plan, whose activity is focused on real estate trading (Omega 3 and Omega 4, Neptune 1 and Neptune 2 Funds and the Rocket Fund) that completed sales totalling approximately 60.3 million euros;
- the Distressed & Non Performing Assets area (Securis I, II, III, Sistema BCC, BCC Roma) continued its property portfolio disposal activities, with the finalisation of sales for approximately 19 million euros and rent-to-buy contracts for approximately 10.7 million euros in terms of sale value;
- among the mainly for management purposes funds, the Pegasus Fund completed the marketing of 4 properties (located in Turin in via Lancia and in via Bellardi, Gallipoli in via Cagliari and Palermo in via Amari) for a total consideration of 43 million euros.

The main investment activities that took place in 2020 concerned:

- the FIEPP Fund, which purchased a prestigious property for office use in a near-central area in Rome for a value of 18 million euros;
- the Diamond OSI Fund, which acquired a 5-star hotel in the centre of Rome for a value of 62 million euros;
- in the "health care" segment in which the SGR is active through the Spazio Sanità Fund, the acquisition was completed of 3 RSAs (residential care units) in Lombardy, Liguria and Veneto for a total of 32.7 million euros;

- in the "Social Housing" segment, the Veneto Casa and Abitare Sostenibile Piemonte funds completed the purchase of a property located in Vicenza for 5.5 million euros and the purchase of 3 properties located in Biella, Turin and Asti for a countervalue of 8.5 million euros.

New project development activities also continued, which led, among other things, to:

- the establishment of a new real estate fund, with an investment strategy in properties for hotel use or to be converted for such use, which during the year completed investments for approximately 36 million euros;
- the establishment in July of a new real estate fund concerning the acquisition of a buildable area in the municipality of Milan for the creation of a complex for residential/commercial use for a value of more than 100 million euros;
- the takeover in the management of a Fund whose assets are entirely invested in a high value residential property located in the central area of Milan which is being redeveloped, in preparation for the fractional sale, with a total investment of approximately 47 million euros;
- the establishment in November, with leading Italian and foreign investors, of a new real estate fund that will invest in residential leased assets, the first of its kind in Italy. In January 2021 the Fund then acquired, by means of a contribution, an initial portfolio of 11 properties located in semi-central areas of Milan, Turin and Rome, for a value of 181 million euros.

Existing portfolio enhancement activities also suffered from an inevitable slowdown due to the shutdown of work sites, but in any case in 2020 development projects were carried out, both for the redevelopment of the existing portfolio and for new construction, for roughly 104.4 million euros, of which more than 52% (approximately 53.9 million euros) relating to development projects in the social housing sector, in any case subject to the supervision of the SGR in the implementation phase, until the completion of works; in relation to development activities in the funds mainly to be used for services, the following should be noted:

- the continuation by the Monterosa Fund of activities to renovate an office property in the centre of Milan, carrying out works for approximately 15.9 million euros;
- the completion of the renovation of a property belonging to the FIP Fund in a prestigious central area of Milan for approximately 5.4 million euros; the offices were leased before the summer to a leading company in the banking sector;
- the continuation, by the Rocket Fund of works to renovate an office property in the municipality of Rome through planned developments, also on the basis of lease agreements reached with leading international companies, for 5.5 million euros;
- the start of the redevelopment site for a prestigious property in the centre of Rome, owned by the FIEPP Fund, to be used as the Italian headquarters of a leading international company in the media/internet TV content production sector. The FIEPP Fund also carried out renovations of an office building located in the central area of the municipality of Milan, for an amount of 2 million euros with the aim of obtaining LEED certification;
- the start, after the completion of the demolition works, of the transformation site from office to prestigious residential use, of a property located in Rome, in the EUR area, owned by the Helios Fund, for an amount of approximately 8.3 million euros;
- the continuation by the Q4 Fund, of the redevelopment and new construction site of a property located in Rome, for mixed commercial and industrial use, in preparation for leasing, within the first half of 2021, to a multinational in the automotive sector, for a total amount of approximately 3.6 million euros;
- for the FPEP Fund, the start of the second phase of the redevelopment of a residential property located in the central area of Milan, intended for fractional sale, for a total amount of approximately 4.9 million euros.

Trusteeship

In a domestic and international macroeconomic scenario that will go down in history due to the negative effects of the Covid-19 pandemic, during the year Finnat Fiduciaria nevertheless continued with the development of its business, to the constant satisfaction of both customers and the banking group to which it belongs.

The Company has operated to assist its customers in addressing planning, protection and succession questions related to business activities and to financial and property assets.

The year was also characterised by an intense Governance activity carried out by the Body with strategic supervision functions. During the year, the Board of Directors approved the implementation of Policies and Regulations including:

- Anti-Money Laundering Policy - update -;
- Anti-Money Laundering Manual;
- Incentive systems - General principles;
- Operational processes.

Therefore, shareholders are reassured over constant respect for the rules, their evolution and the correct application of the internal policies and procedures therein also supported by the Parent Company, in particular, as regards the Internal Audit, Anti-money laundering, Compliance and Risk Control functions.

The well-established initiatives undertaken by the Company have made it possible to successfully continue with the recovery of receivables, consolidating the results achieved in previous years, having collected 81% of the 2020 turnover at 31 December 2020.

The total of the "fiduciary accounts" for mandates received, both for fiduciary mandates for financial assets (securities, liquidity, policies, shareholdings in companies, etc.) and for agency engagements (administration and custody, escrow agreements, etc.), amounted to a total of 1,734 million euros compared to 1,774 million euros of 31 December 2019, with a decrease of 40 million euros.

Finally, with regard to the coronavirus epidemic, in coordination with the Parent Company, the Company from the very beginning launched the emergency plan to counter the spread of the "COVID-19" virus, ensuring suitable health procedures allowing the regular performance of activities.

Research & Development, organisation

In the period in question, the Bank engaged in the following projects:

Organisation Area:

- The new Banca Finnat app released and published in stores.
- Various projects completed in the consulting area, concerning in particular the management of performance and reporting provided to customers, with increases in the service levels offered.
- Efficiency increased of the process of managing the margining of derivatives, with a view to supporting customer operations even more effectively.
- Analysis and implementation activities related to the new "*multi-branch policy*" were carried out.
- More effective sales processes released for credit cards and POS.
- Implemented a new process for the on boarding of "*remote*" customers.

IT and Technologies Area:

- New deception system activated with an increase in the IT security levels of the Bank's entire infrastructure.
- Strengthening of web collaboration systems completed.
- New fibre optic Internet accesses activated.
- Infrastructure required to activate smart working during the coronavirus pandemic was prepared, activated and managed.
- The Bank network's monitoring system and its technological infrastructure were updated and strengthened.
- ICT security levels were increased with interventions on various areas (web-filtering, e-mail management).

Corporate governance

The Bank has adopted the traditional administration and control model, comprising two bodies appointed by the Shareholders' Meeting: the Board of Directors (with 11 Members), central body in the corporate governance system, exclusively in charge of managing and providing strategic supervision for the Bank and the Group, and the Board of Statutory Auditors with oversight functions over the administration and over compliance with the law and with the Articles of Association.

The Board of Directors, also in accordance with the recommendations of the Governance Code (hereinafter "the Code"), established three Committees internally (Risk, Appointments and Remuneration Committees), consisting of independent Directors and providing proposals, advice and preliminary studies for the Board itself.

The Supervisory Body under Legislative Decree no. 231/2001 is appointed by the Board of Directors.

The governance principles of Banca Finnat Euramerica, besides being grounded in the applicable laws and regulations in force in Italy, are also inspired by international best practices on the matter and by the recommendations of the Corporate Governance Code.

The Board of Directors preventively identified the composition of the Governing Body that is deemed optimal in qualitative and quantitative terms, in view of the proper and most effective performance of the duties of the Board, in accordance with the prescriptions of the Bank of Italy's Circular no. 285 of 17 December 2013 as subsequently updated.

Pursuant to Bank of Italy's Circular no. 285 of 17 December 2013 as subsequently updated, the Bank reported to the Shareholders' Meeting of 29 April 2020 about the remuneration and incentive policies adopted.

With regard to the provisions of Article 36 of Italian Law Decree no. 201 of 6 December 2011, amended and converted into Italian Law no. 214 of 22 December 2011 laying down "Urgent provisions for the growth, fairness and consolidation of public accounts", and the formalities required by the Criteria for the enforcement of Article 36 of Italian Law Decree "Salva Italia" ("interlocking prohibition"), relating to company employees and the appointed members of the Board of Directors and Board of Statutory Auditors, on 16 December 2020 the Board of Directors made the necessary assessments of compliance with envisaged criteria.

In the course of the meetings of the Board of Directors, the Board was kept constantly informed on the measures implemented to limit the risk of the spread of Covid-19.
All information required by current regulations is published on the website: www.bancafinnat.it in the Investor Relations, Regulated Information section.

Consob Market Regulation - requirements set forth under Article 36
(Subsidiaries established and regulated by the Law of non-EU States)

Banca Finnat Euramerica undertakes that, in accordance with paragraph 2 of Article 36 of Consob Regulation no. 1619/2007 (Market Regulation), the provisions set out by said Article 36 on the conditions for the listing of parent companies, companies set up or governed according to the laws of States not belonging to the European Union and of significant relevance for the purpose of the consolidated financial statements, do not apply to the subsidiary Finnat Gestioni S.A., since the above mentioned subsidiary falls beneath the limits envisaged by the regulation and does not, therefore, hold "significant relevance".

Market disclosure information

Regarding market disclosure, the Group declares that:

- with reference to the request formulated by Bank of Italy with its communication of 17 June 2008, the Bank, at 31 December 2019, was not exposed to and/or did not hold an interest, either directly or through vehicle companies or other non-consolidated entities, in financial instruments or UCIs characterised by high-risk investments, such as: - SPE (Special Purpose Entities) - CDO (Collateralised Debt Obligations) - Other exposures vis-à-vis subprime and Alt-A - CMBS (Commercial Mortgage-Backed Securities) - Leveraged Finance;
- the Board of Directors of Banca Finnat Euramerica S.p.A., pursuant to Consob Resolution no. 18079 of 20 January 2012, decided, on 21 January 2013, to comply with the simplification system set forth in Articles 70 (paragraph 8) and 71 (paragraph 1-bis) of the Regulation adopted by Consob with Resolution no. 11971 of 14 May 1999 as amended and supplemented, by making use of the right, of listed companies, to depart from the obligation to submit the information documents required by Annex 3B of the Consob Regulation relating to future significant extraordinary operations such as mergers, demergers, capital increase by non-cash contributions, acquisitions and sales;
- with reference to the requests contained in joint Document no. 2 dated 6 February 2009 by the Bank of Italy, Consob and Isvap and in their subsequent Document no. 4 dated 4 March 2010 and the provisions of paragraphs 15 and 25 of IAS 1, regarding disclosures to be made with respect to going concern assumptions, please refer to the commentary provided in Part A, Section 2 - General financial reporting principles and Part E - Information on Risks and Related Hedging Policies of the Notes to the Financial Statements;
- the Bank, within the prescribed deadline of 1 February 2018, exercised the option for the application of the transitional rules prescribed by the Regulation (EU) 2017/2395, amending "Regulation (EU) no. 575/2013 as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds and for the large exposures treatment of certain public sector exposures denominated in the domestic currency of any Member State". The aforesaid transitional rules provide the possibility of including in Common Equity Tier 1 capital a transitional positive component, calculated in percentage terms, of the increase undergone by the allocations for expected losses on receivables by effect of the first adoption of IFRS 9. This benefit is recognised for a period of 5 years according to decreasing rates (95% in 2018, 85% in 2019, 70% in 2020, 50% in 2021, 25% in 2022). From 1 January 2023 onwards, the impact deriving from the first-time adoption of IFRS 9 will be fully reflected in the calculation of own funds. In addition to the possibility of delaying the impact deriving from the first-time adoption of the new accounting standard to 1 January 2018, the transitional arrangements provide the possibility of delaying any impacts of the new impairment model also in the first years following the date of first-time adoption of IFRS 9 albeit limited to those deriving from the measurement of performing financial assets. On 28/4/2020, the EU, with Regulation 2020/0066 issued to combat the effects of Covid-19, supplemented the above-mentioned transitional provisions, extending their applicability from 2022 to 2024 (again with progressively decreasing percentages) for the new provisions recognised in 2020 and in 2021 against performing financial assets.

Capital adequacy, prudential ratios and risk management disclosure

Information about the Bank's capital adequacy and risk management are illustrated at length in the Notes to the financial statements, respectively in Part F - Information on Shareholders' Equity and in Part E - Information on Risks and Related Hedging Policies.

Own funds and capital ratios

The Regulatory Capital is determined based on the harmonised regulations for Banks and the Investment companies contained in the Regulation ("CRR") and in the EU Directive ("CRD IV") of 26 June 2013 that transfer to the European Union the standards defined by the Basel Committee on Banking Supervision (known as Basel 3).
In order to enact the regulations, the Bank of Italy issued, on 17 December 2013, Circular no. 285 "Prudential Supervision Provisions for Banks".
Own funds at 31 December 2020 amounted to 241,646 thousand euros (236,661 thousand euros at 31 December 2019), whereas the Total capital ratio, CET1 capital ratio and Tier1 ratio stood at 47.47% (45.22% at 31 December 2019). The Bank exercised the option to apply the transitional provisions for the deferment over time of the impacts of the application of the new accounting standard on own funds - illustrated in the section "Market disclosure information". Without this application, Own funds would have been equal to 240,797 thousand euros, while the Total capital ratio, the CET1 capital ratio and the Tier1 ratio would have been equal to 47.38%.
These indices widely exceed minimum capital requirements at consolidated level mandated for us by the Bank of Italy at the conclusion of the supervisory review and evaluation process (SREP) established by Directive 2013/36/EU (CRD IV).

Exposure to debt securities and sovereign debt financing

The details required by the Consob with its communication of 31 October 2018 about the "Communication on information to be provided in financial report with regard to exposures held by listed companies in sovereign debt securities" are provided in the Directors' Report to the consolidated financial statements.

Performance of subsidiaries

<u>InvestiRE SGR S.p.A.</u>
The company, based in Rome and incorporated on 4 February 2002 has the purpose of establishing and managing real estate funds and was authorised by the Bank of Italy on 9 May 2002.
On 29 December 2014, the merger by absorption of Beni Stabili Gestioni SGR S.p.A. and Polaris Real Estate SGR S.p.A. within InvestiRE Immobiliare SGR S.p.A. was finalised, with accounting and tax effects as from 1 January 2015.
As a result of this transaction, the share capital was increased from 8,600,000 euros to 14,770,000 euros and the company is owned by Banca Finnat Euramerica at 31 December 2020, with 50.16%, by Covivio 7 (formerly Beni Stabili Siiq), with 17.90%, by Regia S.r.l. (G. Benetton Group) with 11.64%, by Fondazione Cariplo with 8.65%, by Cassa Italiana di Previdenza e Assistenza Geometri with 7.72%, by ICCREA Holding with 2.38% and by Fondazione Cassa dei Risparmi di Forlì with 1.55%.
At 31 December 2020, InvestiRE SGR S.p.A. holds a shareholding equal to 20% of the share capital of REDO SGR S.p.A. for an equivalent value of 4,215 thousand euros. In November 2020, InvestiRE sold 2.56% of this equity investment (which it held together with Fondazione Cariplo for 33.3% and 66.7% respectively) following the already planned share reorganisation which was completed with the entry into the capital of Cassa Depositi e Prestiti and Intesa San Paolo. At the conclusion of the transaction, the share capital of REDO SGR is divided as follows: 40% Fondazione Cariplo, 30% Cassa Depositi e Prestiti S.p.A., 20%, InvestiRE and 10% Intesa San Paolo.
At 31 December 2020, the company managed 48 real estate funds, with the GAV of the managed assets totalling 6,644 million euros, compared to 7,078 million euros at 31 December 2019.
The draft financial statements at 31 December 2020 show a profit of 5,214 thousand euros compared to 6,154 thousand

euros at 31 December 2019 and a book value of the shareholders' equity of 79,995 thousand euros compared to 80,852 thousand euros at 31 December 2019. In 2020, the company recognised a total fee and commission income of 24,588 thousand euros compared to 28,664 thousand euros in 2019.

Finnat Fiduciaria S.p.A.
The company - incorporated in accordance with Italian Law no. 1966 of 23 November 1939 - is based in Rome and operates as an equity and security trust company. It has a share capital of 1,500,000 euros held entirely by Banca Finnat Euramerica S.p.A.
At 31 December 2020, assets under management totalled 1,734 million euros, versus 1,774 million euros at 31 December 2019.
The draft financial statements at 31 December 2020 show a profit of 93 thousand euros versus 92 thousand euros in the previous year. In 2020, the company generated fee and commission income of 1,624 thousand euros versus 1,578 thousand euros at 31 December 2019. At 31 December 2020, the company had a shareholders' equity of 2,000 thousand euros, versus 2,035 thousand euros at 31 December 2019.

Finnat Gestioni S.A.
The company, established on 10 April 2008, is based in Lugano and provides financial management and consultancy services including, in particular, asset and portfolio management services.
The Bank holds a 70% stake in the company's share capital, which amounts to CHF 750,000, while the remaining stake is held by EFG Bank. Managed assets at 31 December 2020 totalled CHF 119 million, compared to CHF 116.4 million at 31 December 2019.
The book value of shareholders' equity at 31 December 2020 amounted to CHF 2,342 thousand, compared to CHF 2,317 thousand at 31 December 2019.
The draft financial statements for 2020 show a profit of CHF 475 thousand compared to CHF 494 thousand at 31 December 2019.
In 2020, the company generated fee and commission income of CHF 865 thousand compared to CHF 909 thousand at 31 December 2019.

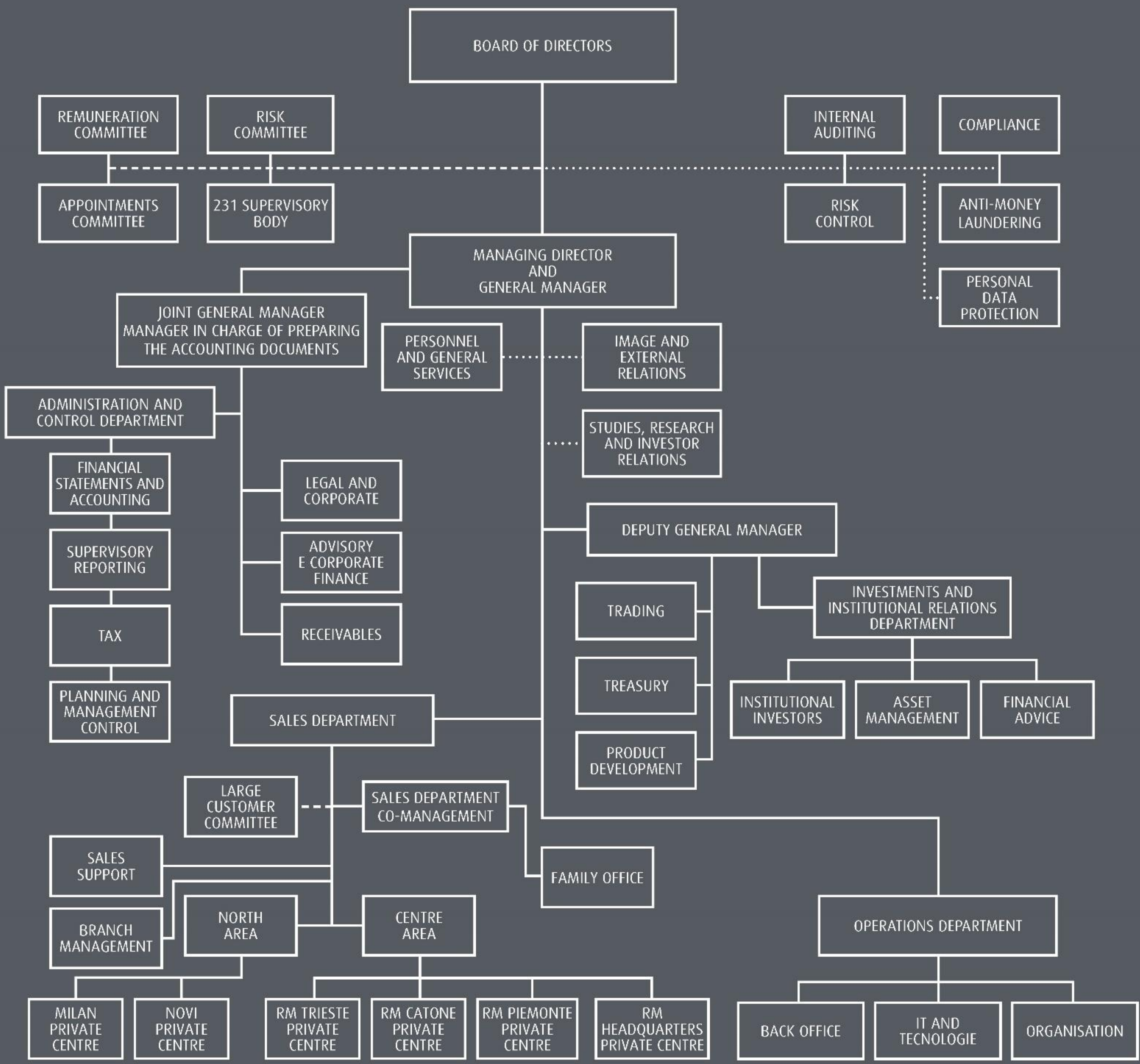
Natam Management Company S.A.
The company, established on 30 August 2016, has its registered office in Luxembourg and share capital of 750,000 euros divided into 750 shares with a face value of 1,000 euros each, entirely subscribed by Banca Finnat.
The purpose of Natam is to perform collective asset management both in favour of harmonised funds and of alternative investment schemes.
The draft 2020 financial statements show a profit of 102 thousand euros compared to 81 thousand euros at 31 December 2019.
The book value of shareholders' equity, at 31 December 2020, amounted to 839 thousand euros, compared to 738 thousand euros at 31 December 2019.
In 2020, the company generated fee and commission income of 1,768 thousand euros compared to 1,776 thousand euros at 31 December 2019.

* * *

The Report on Operations of the consolidated financial statements contains the chart illustrating the Group structure and the related shareholdings.

The structure of Banca Finnat Euramerica

The organisation structure of the Bank is as follows:



The total number of personnel in the Bank at 31 December 2019 was unchanged as shown in detail below:

	31/12/2020	31/12/2019
Personnel employed	187	188
- executives	33	29
- managers	87	87
- clerical workers	67	72
Contractors	8	7
Financial agent advisors	5	5
Total	200	200

With regard to changes in the number of personnel employed, it is noted that during the year 8 people terminated their employment (of which 3 temporary employees and 5 permanent employees), while 7 people were hired in total (of which 3 were temporary employees and 4 permanent employees). The number of collaborators increased by one unit.

The new employees, all resulting from a widespread search and selection of candidates, have made it possible to cope with ordinary staff turnover, while continuing to improve the quality of some strategic activity sectors, such as the commercial network, loans and asset management, implemented through the hiring of high quality resources with consolidated professional experience.

As far as training is concerned, 94 courses were run during the year, for a total of 3,160 hours and 1,591 participations (with 182 employees involved in one or more initiatives).

In compliance with the anti-COVID-19 security protocols, almost all training courses were held in e-learning and virtual classroom mode; interventions were aimed both at updating the knowledge of all staff on specific subjects (new courses on anti-money laundering and administrative liability of entities pursuant to Legislative Decree 231/2001), and at consolidating/strengthening the specialist skills of the commercial network, in line with what is required and envisaged by the MIFID II regulation.

Treasury shares

At 31 December 2020, the Bank held 28,810,640 treasury shares, representing 7.9% of the share capital with a total value of 14,059 thousand euros. In 2020, the Bank did not carry out any transactions on treasury shares.

STOCK EXCHANGE CAPITALISATION OF BANCA FINNAT EURAMERICA

	Number of shares	Stock Exchange Listing 18 February 2021	Capitalisation 18 February 2021 (in thousands of euros)	Shareholders' equity (in thousands of euros)	Share capital (in thousands of euros)
ORDINARY SHARES	362,880,000	0.2290	83,100	247,168	72,576

Related party transactions

The Bank complies with the Regulations for Related Party Transactions, approved by the Board of Directors on 2 August 2013 to define responsibilities and rules governing the identification, approval and implementation of related party transactions carried out by the Bank or by companies of the Banca Finnat banking group, in accordance with Article 2391-bis of the Italian Civil Code, the Consob Regulation adopted with Resolution no. 17221 of 12 March 2010 and Title V, Chapter 5 of the Bank of Italy's Circular no. 263 introducing "New Prudential Supervision Provisions for Banks", respectively.

The Bank has completed transactions both with subsidiaries and related parties, ordinary transactions of lesser significance and transactions for a small amount and under market conditions which have not significantly impacted the company's financial position or results of operations.

The Bank did not carry out any transactions with related parties or subjects other than related parties considered to be of an "atypical or unusual" nature, and which, due to their magnitude/relevance might have cast doubts on the safeguarding of the company's assets and the protection of minority shareholders' rights.

Information required under IAS 24 is shown in part H of the Notes to the Financial Statements.

Option for the domestic consolidated tax system

The Bank and its Italian-based subsidiaries have joined the "domestic consolidated tax system", pursuant to Article 117/129 of the TUIR (Consolidated Income Tax Act). The option was renewed in June 2019 for the 2019/2021 period.

By virtue of this option, the Group companies determine their proportion of the taxes payable and the corresponding tax income (taxable income or tax loss) is transferred to the Parent Company, relating to which a single taxable income or loss is reported (resulting from the arithmetical sum of its own and its participating subsidiaries' incomes/losses) and, consequently, a single income tax debit/credit is determined.

Comparison of key statement of financial position and income statement figures of the 2020 and 2019 financial years

We present to you below, in summary form, the main data of the financial statements at 31 December 2020, compared with the corresponding data in 2019.

The tables reflect the minimum mandatory layout provided for in Circular 262/2005 issued by the Bank of Italy (update 6).

STATEMENT OF FINANCIAL POSITION OF BANCA FINNAT EURAMERICA S.p.A.
(thousands of euros)

	31/12/2020	31/12/2019	Absolute change
ASSETS			
Cash and cash equivalents	710	696	14
Financial assets at fair value through profit or loss:	27,228	78,624	(51,396)
a) financial assets held for trading	6,847	57,696	(50,849)
c) other financial assets mandatorily measured at fair value	20,381	20,928	(547)
Financial assets at fair value through other comprehensive income	340,566	365,398	(24,832)
Financial assets at amortised cost	1,339,991	1,499,680	(159,689)
a) loans and receivables with banks	92,967	71,317	21,650
b) loans and receivables with customers	1,247,024	1,428,363	(181,339)
Equity investments	78,934	77,109	1,825
Property, equipment and investment property	11,715	13,570	(1,855)
Intangible assets	486	507	(21)
Tax assets	2,311	5,403	(3,092)
Other assets	19,923	25,675	(5,752)
TOTAL ASSETS	1,821,864	2,066,662	(244,798)
LIABILITIES AND EQUITY			
Financial liabilities at amortised cost	1,557,962	1,815,923	(257,961)
a) due to banks	145	369	(224)
b) due to customers	1,557,817	1,790,641	(232,824)
c) securities issued	-	24,913	(24,913)
Financial liabilities held for trading	40	152	(112)
Tax liabilities	2,284	1,391	893
Other liabilities	12,548	9,414	3,134
Post-employment benefits	1,549	1,983	(434)
Provisions for risks and charges	313	102	211
a) commitments and guarantees given	246	102	144
c) other provisions for risks and charges	67	-	67
Equity	247,168	237,697	9,471
TOTAL LIABILITIES AND EQUITY	1,821,864	2,066,662	(244,798)

INCOME STATEMENT OF BANCA FINNAT EURAMERICA S.p.A.
(thousands of euros)

			Change	
	2020	**2019**	**Absolute**	**Percentage**
Net interest income	16,235	16,378	(143)	-1%
Net fee and commission income	21,713	21,289	424	2%
Dividends and similar income	5,340	6,904	(1,564)	
Net trading expense	(253)	(1,737)	1,484	
Net gain from disposal or repurchase of:	1,448	706	742	
a) financial assets at amortised cost	278	464	(186)	
b) financial assets at fair value through other comprehensive income	1,170	242	928	
Net losses on other financial assets and liabilities at fair value through profit or loss:	(253)	(1,230)	977	
b) other financial assets mandatorily measured at fair value	(253)	(1,230)	977	
Total income	44,230	42,310	1,920	5%
Net impairment losses for credit risk associated whit:	(5,234)	(12,004)	6,770	
a) financial assets at amortised cost	(5,584)	(12,161)	6,577	
b) financial assets at fair value through other comprehensive income	350	157	193	
Net modification gains (losses)	(185)	7	(192)	
Net financial income	38,811	30,313	8,498	28%
Personnel expenses	(21,486)	(19,190)	(2,296)	
Other administrative expenses	(12,556)	(13,094)	538	
Net reversals of (accruals to) provision for risks and charges	(211)	682	(893)	
Depreciation and net impairment losses on property, equipment and investment property/Amortisation and net impairment losses on intangible assets	(2,386)	(2,377)	(9)	
Other operating income, net	4,675	5,013	(338)	
Operating costs	(31,964)	(28,966)	(2,998)	10%
Net loss on equity investments	(73)	(1,558)	1,485	
Profit (loss) from continuing operations before taxes	6,774	(211)	6,985	-3310%
Income taxes	(1,193)	989	(2,182)	
Profit for the year	5,581	778	4,803	617%

A series of Bank operating ratios at 31 December 2020 are shown below compared with the operating ratios of the previous year.

	2020 (%)	**2019 (%)**
Net interest income/Total income	36.71	38.71
Net fee and commission income/ Total income	49.09	50.32
Cost/income ratio (operating costs/ Total income)	72.27	68.46
ROE (profit for the year/equity)	2.26	0.33
ROA (profit for the year/total assets)	0.31	0.04

Main transactions in the year, significant subsequent events and operating outlook

The main transactions in the year

Covid-19

In the first few days of January 2020, the new "Coronavirus" (Covid-19) epidemic spread throughout the whole of continental China, and also to Italy and then other countries in the second half of February, declared as an unprecedented international health emergency by the World Health Organisation.

The COVID-19 pandemic forced the entire country into a sudden and unexpected quarantine, in order to mitigate the effects of the virus which had, and continues to have significant human, social and economic consequences, causing the slowdown or suspension of economic and commercial activities in multiple sectors. Especially in March, the financial markets were significantly impacted by the considerable uncertainties with respect to future outlooks, with important downturns in share prices, tensions on money market rates and an increase in the credit risk premium on sovereign and corporate issuers.

Many governments, including Italy's, adopted immediate support measures such as: postponement of tax payments, provision of guarantees backing bank lending, household subsidies and the reinforcement of social security mechanisms.

In particular, the main actions undertaken by the Italian government were broken down into two phases: the "Cura Italia" Decree and the "Liquidity" Decree, issued in order to ensure the disbursement by the government of significant amounts to support the country's economy. The Cura Italia Decree called for the establishment of an extraordinary unemployment benefits fund in addition to state guarantees for the disbursement by banks of loans to businesses of up to 350 billion and a monthly payment of 600 euros for self-employed workers, agricultural workers, seasonal workers in the tourism sector and individuals working in the entertainment industry. The Liquidity Decree on the other hand established several important measures to support liquidity for Italian businesses such as: facilitations and social safety nets dedicated especially to SMEs; extension of fiscal and administrative deadlines, suspension of obligations imposed by the Italian Revenue Agency, reinforcement of the golden power, guarantee for SMEs thanks to the Guarantee Fund and loans backed by SACE. The "Relaunch" Decree added new measures to these by setting aside an additional 55 billion euros to support the recovery, including: strengthening of the healthcare sector, support to businesses and households, tourism and culture.

Furthermore, in addition to the economic policy measures adopted by the ECB, the European Council launched a 1,800 billion euro package to stimulate the economic recovery; in particular, the economic recovery plan (Recovery Fund) amounts to 750 billion euros. Of this amount, 390 billion will be disbursed in the form of subsidies, which do not need to be repaid by the recipient countries, while 360 billion euros will be distributed in the form of loans; there is also a debt sharing mechanism: to that end, the European Commission may issue common securities in the financial markets.

In the first fortnight of October, a second wave of infections occurred, after a slowdown that occurred in the summer months, with an acceleration in the evolution of the COVID-19 epidemic, recording a growth in hospital admissions and, among these, of admissions to intensive care units.

Since mid-October, there has been a worsening of all indicators of the epidemic with a sudden increase in the number of cases tested. The restrictions imposed by some regions in response to the growth trend of the epidemic curve have not proved adequate to prevent the increase in the occupancy rate of beds in intensive care and the consequent increase in death rates. The Government, with the issue of three DCPMs in October, passed stricter restrictions in order to contain the contagion as much as possible in the presence of a continuous resurgence of the virus and thus to avoid a new generalised lockdown.

The Prime Ministerial Decree of 24 October 2020 introduced further restrictions to contain the epidemic, aimed at supplementing those adopted with previous decrees; these measures included, among other things: the closure or restriction of certain trade, tourism and service activities; compulsory 75% distance learning for all high schools; the recommendation, where possible, to encourage the use of smart working; the requirement to wear respiratory protective equipment.

The Prime Ministerial Decree issued new emergency measures in support of economic activities that were limited or directly closed. On 28 October 2020, the Government passed a measure worth 5.4 billion euros ("Ristori" Law Decree no. 137/2020) designed to offset the restrictions against Covid-19; the main measures included: the disbursement of non-repayable subsidies unrelated to the drop in sales to all companies forced to close or reduce working hours due to restrictions, a 10-week extension of the unemployment benefits fund to 31 January 2021 and a tax credit for commercial rents.

On 3 November 2020, following the steady and progressive increase in contagion in recent weeks, the Government passed a new DPCM to contain and mitigate the pandemic wave. The additional restrictions envisaged by the DPCM valid throughout Italy, in addition to those already in force, include, among other things: curfews from 10 p.m. to 5 a.m., 100% distance learning in all high school classes, maximum capacity of 50% on public transport, closure of shopping centres on Saturdays, Sundays and public holidays.

On 30 November the Government issued the Ristori-Quater Decree with which new interventions of economic support were launched for the public establishments sector including:

- extension of the deadline for payment of the second advance on income tax and IRAP;
- suspension of tax and social security payments due in September;
- application of the exemption of the second IMU instalment.

The Government, to prevent a third wave of infections and manage the health risks in the run up to the Christmas holidays and manage the health risks associated with the spread of the COVID-19 virus, on 18 December issued Law Decree no. 172. This Decree introduced, throughout the national territory, even more restrictive measures on travel by applying the measures indicated to "red" areas for holiday days and the days before them in the period from 24 December 2020 and 6 January 2021 and the measures for "orange areas" on 28, 29 and 30 December 2020 and 4 January 2021. With the same decree, a non-repayable grant was also recognised in favour of restaurateurs.

On 27 December, a "vaccine day" was held throughout Italy and Europe, the day that decreed the "symbolic" start of the COVID-19 vaccination campaign. The campaign, started after the approval by the EMA (European Medicines Agency) of the first COVID vaccine, continued following the directives indicated in the National Vaccination Plan drawn up by the Ministry of Health.

In the light of the outlined scenario, the Bank from the outset monitored and continues to monitor developments in the global and national situation brought about by the spread of COVID-19. In accordance with the provisions of IAS 1 and also following the recommendations of the ESMA of 11 March 2020, measures were immediately implemented targeted at ensuring business continuity.

Measures adopted to handle and mitigate the impacts of the Covid-19 pandemic

The Bank promptly set up an appropriate Crisis Management Committee, in order to manage the emergency and guarantee the safety of its employees and its customers. To this end, various initiatives were implemented, shared by the Risk Committee and the Board of Directors of the Bank which, at the meeting on 29 April 2020, approved the adjustment to the Business Continuity Plan, completed with the initiatives undertaken, including:

- as regards organisation of work: the preparation of a technological framework to promote company smart working for activities that can be carried out remotely. The Bank immediately took action to strengthen the IT infrastructure in order to integrate its "smart working" system; security infrastructure for accessing the company network and data protection measures were improved and employee awareness was raised concerning phishing campaigns. Between the end of March and early April, around 70% of employees worked remotely. Later, as the pandemic became less severe, the number of workers in smart working arrangements also declined. After the summer holidays, with the resumption of office activities, the Bank faced the emergency in continuity with the previous period and continued to apply "smart working"; following the issue of the DPCM on 6 September 2020 (which extended the precautionary measures to counter and contain the spread of the coronavirus), the Bank increased smart working by extending it to new business structures. In December, the percentage of smart working workers was 35% of the workforce. It should be noted in this context that the Bank and other Group companies always guaranteed the continuity of company operations to their customers as well as the usual high service levels;
- regarding workplace safety: the activation of all protocols drawn up by the national Authorities and Bodies aimed at guaranteeing health and safety conditions for its employees and customers. Strict provisions were also imposed regarding: access to workplaces, cleaning, sanitisation, personal hygiene precautions and management of spaces. The Bank acquired personal protection equipment and sanitising gel and outfitted workstations with protection devices, continuing to ensure suitable sanitary facilities. It also further refined the body temperature detection procedure with thermal scanners in order to guarantee the maximum safety of personnel in the office. Moreover, as every year, the Bank organised the flue vaccination for all personnel and extended it to family members;
- on the theme of information: the constant circulation, through the company intranet, of communications and behavioural recommendations for personnel as well as the publication of useful information and documents relating to the emergency;
- regarding support for its customers:
  the Bank promptly activated the measures laid out in the "Cura Italia" Decree for its corporate customers, which establishes in article 56 an extraordinary moratorium for the benefit of micro enterprises and SMEs to which loans or lines of credit had been granted. In particular, the Decree laid out the following financial support measures:
  - for revocable credit lines and loans granted for advances on receivables, it was envisaged that the agreed amounts could not be revoked until 30 September 2020;
  - for non-instalment loans expiring prior to 30 September 2020, it was envisaged that the contracts would be extended to 30 September under the same conditions;
  - for mortgages and loans to be repaid in instalments, the payment of instalments (principal and interest or only principal) falling due prior to 30 September was expected to be suspended until 30 September 2020.

  On 14 August 2020, the Government, in view of the prolonged economic effects of the health crisis, issued Italian Law Decree no. 104, article 65 of which extends the moratorium for SMEs pursuant to article 56 of the "Cura Italia" Decree, postponing the date of 30 September 2020 to 31 January 2021.
  The extraordinary interventions initially indicated by the Cura Italia Decree until 30 September 2020 - subsequently extended to 31 January 2021 - with Law no. 178 of 30 December 2020, were further extended to

30 June 2021. For companies already accepted, the extension of the moratorium operated automatically without any formality, unless expressly waived, while for companies that have not yet been accepted it was possible to submit a request by 31 January 2021.
As noted, the above-mentioned measures are provided to micro-enterprises and SMEs when they meet the following conditions: temporary shortfall in liquidity as a direct consequence of the Covid-19 epidemic and absence of non-performing debt positions.

At the reporting date, the Bank had authorised 20 concessions to performing customers relating to exposures with a total gross value of 22.7 million euros, including 17 concessions to suspend mortgage instalments for an amount equal to 16,7 million euros (Italian Law Decree no. 18 of 17 March 2020 converted with Italian Law no. 27 of 30 April 2020).
The Bank also subsequently activated the agreement with Mediocredito Centrale for the application of the "Liquidità" Decree. This decree includes specific measures to support smaller SMEs and natural persons running business activities in the arts or professions, which self-certify that they have been harmed by the Covid-19 emergency; article 13, paragraph 1 letter m) of the decree establishes, inter alia, that those categories may request new loans for amounts up to 25% of their final revenues in 2019, with a maximum ceiling of 30,000 euros, with 24 months of pre-amortisation and a maximum duration of six years. The Central Guarantee Fund backs 100% of the loans up to 30,000 euros free of charge and automatically, enabling the Bank to disburse the sums, in a simplified manner, without waiting for the final outcome of screening by the Fund. At the reporting date, the Bank had received 20 applications of 497 thousand euros, already paid out. Moreover, the Bank received 2 applications from companies with up to 499 employees (pursuant to Article 13 of the aforementioned Decree) for a total of 11.5 million euros, already paid out, 90% backed by the Central Guarantee Fund and up to a maximum of 5 million euros for each company.
Aside from activating the anti-crisis measures carried out by the government and described above, the Bank also provided specific facilitations. Within the scope of commercial initiatives intended to consolidate relationships with customers during the period of the pandemic and falling within the broader offer of private banking services, the Bank promoted a commercial facilitation for performing customers that do not require specific support measures; this commercial initiative is targeted at both natural persons and businesses.

Impact of the pandemic on the Bank's strategies and results for the year

The Bank's business strategies have not changed as a result of the pandemic. The Bank has ensured the business continuity vis-à-vis counterparties and the market, always ensuring the maximum efficiency of the service offered to customers both in branch and through remote channels.
None of the Bank's activities was interrupted, even temporarily, in particular as regards customer services.

Despite the economic crisis that significantly affected many productive sectors at national level, the result for 2020 is substantially higher than the result for the previous year. The interest margin, in line with 2019, contributed significantly to the result for the year thanks also to the effective management of the portfolio on own account, which made it possible to realise even greater profits from the sale of financial assets measured at fair value than in the previous year. The low risk profile of proprietary financial investments made it possible not to suffer losses due to the high volatility that characterised the financial markets. Revenues from trading services also increased compared to 2019, by virtue of the increase in transactions on behalf of third parties, from fund placement services, financial advisory and portfolio management services, also thanks to the performance recorded as a result of the recovery of equity and fixed income markets (in particular government bonds) in the second half of the year after the significant contractions recorded in March. Thanks to the focus on customers, there were no significant divestments of products by private customers at any time of the year, nor were there any tensions regarding the liquidity of assets. In the private banking sector, there was an increase in quality funding, despite a slowdown in the hiring plan for new private consultants partly caused by the emergency situation. The most significant impacts of the COVID-19 pandemic on the Bank's result for the year 2020 mainly relate to higher provisions made against the increase in the credit risk of financial assets. Furthermore, with regard to operating income, a decline in revenues compared to the previous year is also observed for services for corporate and institutional customers, which were most penalised by the economic crisis, also due to the reduction in placements in the stock market (particularly in the AIM market) as well as the discounts granted on advisory and corporate finance services and specialist services provided to corporate customers by the Bank.

The Bank's liquidity position has always remained solid thanks to the broad availability of liquid reserves. In particular, in the 2020 financial year, the regulatory indicators - Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) - were considerably above requirements. From a capital perspective, the Bank's capital and asset quality make it possible to face the crisis with relative peace of mind.

Other transactions and the most significant events

- On 25 March 2020, the Deputy Judge in the proceedings ordered the postponement until 25 September 2020 of the hearing to examine the statement of liabilities of the bankruptcy of Bio-On, originally set for 17 April 2020. Following the well-known events concerning Bio-On, already detailed in full in the 2019 financial statements, the Bank submitted, within the relevant terms, the proof of claim in bankruptcy. On 16 July 2020, the Bank signed a supplement to the existing shareholders' agreements on the companies Aldia and Liphe with the liquidators of Bio-On in order to govern some issues and establish a governance structure consistent with the effective operations of those companies. On 25 September 2020, the Deputy Judge of the Bio-On bankruptcy issued the decree of enforceability of the proof of claim in bankruptcy. The Bank was admitted, as per the request submitted at the time, among unsecured credits of 15,278 thousand euros. On 18 November 2020, the Bank received complaints from Consob regarding the investment recommendations issued on the Bio-on share; the Bank expressed its considerations in support of the correctness of its actions and at the date of preparation of these Financial Statements it is awaiting a reply from the Supervisory Authority.

- On 29 April 2020, the Shareholders' Meeting of the Bank:
  - approved the financial statements at 31 December 2019 and the allocation of profit for 2019 to the reserve;
  - approved the Remuneration Policy prepared in pursuance of Article 123-ter of Italian Legislative Decree 58/98.

- On 19 November 2020, the agreements signed between the current shareholders of REDO SGR (Fondazione Cariplo for 66.7% and InvestiRE for 33.3%) and the buyers Cassa Depositi e Prestiti SpA and Banca Intesa San Paolo were executed. The transaction was completed at the end of the process that led the two Institutes to obtain authorisation from the Bank of Italy for the purchase of a stake of 30% and 10% respectively of the share capital of REDO SGR S.p.A. In execution of the agreements, the final deed of sale of 10 million shares was signed by the current shareholders of REDO SGR (of which a third was held by InvestiRE SGR) in favour of the buyers, for a total value of 1 million euros; in addition, the capital increase of REDO SGR to 20 million euros was finalised through the subscription by the buyers for an amount, including the subscription price, of 7 million euros. At the conclusion of the transaction, the share capital of REDO SGR is composed of 200 million shares, divided as follows: 40% Fondazione Cariplo, 30% Cassa Depositi e Prestiti S.p.A., 20% InvestiRE and 10% Intesa San Paolo.

Significant events occurring after the end of the financial year

In the period spanning the end of the 2020 financial year and the date on which these Financial Statements were prepared, no significant events or factors that could affect the financial position, capital position, or results of operations of the Bank emerged.

However, it should be noted that on 8 March 2021 Covivio 7 S.p.A. (formerly Beni Stabili Siiq) - a 17.89% shareholder of InvestiRE SGR - sold its entire stake (equal to 2,643 shares) to Banca Finnat; at the same time, the Bank sold 8.9% (equal to 1,315) of the shares purchased to E.N.P.A.F. (National Insurance and Assistance Agency for Pharmacists).

This transaction allowed the entry into the InvestIRE capital of ENPAF which, as a historical shareholder of the SGR, will be able to contribute to the strategic development of InvestiRE. Upon completion of the transaction, the Bank increased its stake in InvestiRE Immobiliare SGR from 50.16% to 59.15%.

The details of the transactions are illustrated in the "Information document relating to transactions of greater importance with related parties" published on the Bank's website *www.bancafinnat.it*, in the section Investor Relations/Corporate Governance/Information document on transactions with associated parties and attachments.

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As regards the health emergency situation deriving from the COVID-19 pandemic, it should be noted that in the first few days of January 2021 there was a general deterioration of the epidemiological situation in the country. The national transmission index (Rt) increased with peaks, in some regions, greater than 1.25. In this context, on 14 January the Council of Ministers with Law Decree no. 2 extended the state of emergency linked to the COVID-19 pandemic expiring on 31 January to 30 April 2021; on the same date, the government also issued a new Prime Ministerial Decree with anti-contagion measures in effect from 16 January to 5 March 2021. The new Prime Ministerial Decree sets limits on travel between regions and confirms the division of the country into red, orange and yellow regions, based on the contagion indexes, confirming all the measures already in place and expiring at the end of January. In order to manage and reduce the spread of the pandemic in the first few days of January, the first phase of the vaccination campaign began throughout the country. The goal of the population vaccination campaign is to limit the infection and achieve herd immunity as soon as possible. The campaign, started on 27 December 2020 ("vaccine day") after the approval by the EMA (European Medicines Agency) of the first COVID vaccine, continued following the directives indicated in the National Vaccination Plan drawn up by the Ministry of Health. On 2 March the Government issued a new Prime Ministerial Decree that dictated new rules and confirmed the previous ones in force from 6 March to 6 April. The restrictive measures enacted included the closure of all schools of all levels in the red areas.

The Bank continues to tackle the pandemic emergency in line with the new government measures issued at national and local level aimed at combating and containing the spread of the virus.

In this context, the Bank has further strengthened health facilities and increased the number of smart working employees, extending this working method also to business structures.

The Bank's Coronavirus Emergency Committee monitors the ongoing development of the pandemic at the national level in order to provide guidance on how to deal with any potential outbreaks.

It should be noted that, despite the great emergency situation described above, the Bank ensured and continues to ensure business continuity vis-à-vis counterparties and the market, always ensuring maximum efficiency of the service offered to customers both in branch and through remote channels.

Business outlook

The forecasts for the year 2021, drawn up at the beginning of the year by the Bank, were prepared taking into account the persistence of the COVID-19 epidemiological emergency situation but also the benefits deriving from the economic policy measures adopted at national and international level and a consequent resolution of the crisis generated by the pandemic starting from the end of the current year. The expected results allow us to confirm interesting levels of profitability and capitalisation of the Bank also for 2021.

Dear Shareholders,

We submit the financial statements for 2020, comprising the Statement of financial position, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Financial Statements, as well as the related attachments and the Report on Operations, for your approval.
We would also suggest allocating the year's profits as follows:

profit for the year	5,580,772	euros
• to the legal reserve, for 5% to be set aside in compliance with the law and the articles of association	279,039	euro
• to the 334,069,360 * ordinary shares a gross dividend of 0,00245 euros per share (corresponding to 1.2% of the nominal value of the shares)	818,470	euros
• to the 334,069,360 * ordinary shares a gross dividend of 0,01085 euros per share (corresponding to 5.4 % of the nominal value of the shares) to be distributed in the time window between 1 October 2021 and 31 January 2022	3,624,653	euros
• to extraordinary reserve	858,610	euros
Total	5,580,772	euros

* Quantity of shares calculated by subtracting from the total number of ordinary shares, equal to 362,880,000, the treasury shares in portfolio at the date of approval of the draft financial statements at 31 December 2020, equal to 28.810.640.

The dividends proposed for each ordinary share with the right, as indicated above, have been calculated considering the redistribution of the profit referring to treasury shares held in the portfolio at the date of the approval of the draft financial statements at 31 December 2020 by the Board of Directors.

The amount of the first proposed dividend, whose distribution is expected by May 2021, falls within the maximum allowed according to the provisions of the Bank of Italy's Recommendation of 16 December 2020 on the distribution of dividends and variable remuneration policies.

The distribution of the second dividend, expected in the time window between 1 October 2021 and 31 January 2022, and in any case subject to the verification by the Board of Directors of the absence of limits and conditions dictated by the European Central Bank and the Bank of Italy that may prevent or limit the distribution as determined above. The Shareholders' Meeting grants the Board of Directors the power to verify the fulfilment of the aforementioned conditions, with consequent payment to the shareholders (if the aforementioned conditions have occurred by the end of the 2021 financial year) or reallocation of the relative amount to the equity reserve (if the conditions are not met).

In accordance with Article 1 of the Italian Ministerial Decree of 2 April 2008, the dividends of this proposal, exclusively for taxation purposes, are assumed to be formed with the profits produced in years prior to 31 December 2007, having verified the presence of adequate reserves formed with the profit generated through the current year at that date.

Additionally, the stated allocation of the year's profits complies with the provisions of Art. 6 of Italian Legislative Decree no. 38/2005.

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As a result of the proposed allocations, the item "Reserves" will break down as follows:

• legal reserve	11,803,703	euros
• dividend adjustment reserve	6,724,772	euros
• reserve for purchased treasury shares	14,059,346	euros
• extraordinary reserve	86,150,687	euros
• profit brought forward from restated IAS 19	179,409	euros
• IFRS 9 FTA reserve	(488,407)	euros
• reserve for merger surplus	524,609	euros
Total profit reserves	118,954,119	euros
Other reserves		
• profits on treasury shares	4,277,111	euros
• gains (losses) on HTCS shares (35,300) euros		
Total reserves	123,195,930	euros
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Before moving to the analysis of the various financial statement items, the Board wishes to thank all the Company's staff for the excellent work they have done.

Rome, 19 March 2021

On behalf of the Board of Directors

The Chairman

(Ms. Flavia Mazzarella)

STATEMENT OF FINANCIAL POSITION OF BANCA FINNAT EURAMERICA S.p.A.
(amounts in euros)

	Assets	31/12/2020	31/12/2019
10.	Cash and cash equivalents	710,022	696,020
20.	Financial assets at fair value through profit or loss	27,228,019	78,623,764
	a) financial assets held for trading	6,847,169	57,695,998
	c) other financial assets mandatorily measured at fair value	20,380,850	20,927,766
30.	Financial assets at fair value through other comprehensive income	340,566,359	365,397,528
40.	Financial assets at amortised cost	1,339,990,398	1,499,680,157
	a) loans and receivables with banks	92,966,591	71,316,976
	b) loans and receivables with customers	1,247,023,807	1,428,363,181
70.	Equity investments	78,934,134	77,109,495
80.	Property, equipment and investment property	11,715,038	13,569,520
90.	Intangible assets	485,711	507,399
	of which:		
	- goodwill	300,000	300,000
100.	Tax assets	2,311,165	5,402,651
	a) current	706,013	3,407,940
	b) deferred	1,605,152	1,994,711
120.	Other assets	19,923,373	25,675,019
	Total assets	1,821,864,219	2,066,661,553

STATEMENT OF FINANCIAL POSITION OF BANCA FINNAT EURAMERICA S.p.A.
(amounts in euros)

	Liabilities and equity	31/12/2020	31/12/2019
10.	Financial liabilities at amortised cost	1,557,961,350	1,815,922,407
	a) due to banks	144,834	368,647
	b) due to customers	1,557,816,516	1,790,640,770
	c) securities issued	-	24,912,990
20.	Financial liabilities held for trading	39,706	151,767
60.	Tax liabilities	2,283,596	1,390,824
	a) current	333,269	14,450
	b) deferred	1,950,327	1,376,374
80.	Other liabilities	12,549,197	9,414,828
90.	Post-employment benefits	1,549,310	1,982,853
100.	Provisions for risks and charges:	312,620	101,624
	a) commitments and guarantees given	245,620	101,624
	c) other provisions for risks and charges	67,000	-
110.	Valuation reserves	61,012,734	57,122,316
140.	Reserves	122,058,280	121,280,592
160.	Share capital	72,576,000	72,576,000
170.	Treasury shares (-)	(14,059,346)	(14,059,346)
180.	Profit for the year (+/-)	5,580,772	777,688
	Total liabilities and equity	1,821,864,219	2,066,661,553

INCOME STATEMENT OF BANCA FINNAT EURAMERICA S.p.A.
(amounts in euros)

		2020	2019
10.	Interest and similar income	18,404,102	18,713,241
	of which: interest calculated using the effective interest method	14,877,434	15,861,641
20.	Interest and similar expense	(2,169,438)	(2,335,605)
30.	**Net interest income**	**16,234,664**	**16,377,636**
40.	Fee and commission income	23,738,566	22,733,207
50.	Fee and commission expense	(2,025,085)	(1,444,629)
60.	**Net fee and commission income**	**21,713,481**	**21,288,578**
70.	Dividends and similar income	5,340,473	6,903,723
80.	Net trading expense	(253,157)	(1,737,055)
100.	Net gain from disposal or repurchase of:	1,448,156	706,157
	a) financial assets at amortised cost	277,943	464,258
	b) financial assets at fair value through other comprehensive income	1,170,213	241,899
110.	Net losses on other financial assets and liabilities at fair value through profit or loss	(253,272)	(1,229,087)
	b) other financial assets mandatorily measured at fair value	(253,272)	(1,229,087)
120.	**Total income**	**44,230,345**	**42,309,952**
130.	Net impairment losses for credit risk associated with:	(5,233,878)	(12,003,599)
	a) financial assets at amortised cost	(5,584,332)	(12,160,510)
	b) financial assets at fair value through other comprehensive income	350,454	156,911
140.	Net modification gains (losses)	(185,370)	6,771
150.	**Net financial income**	**38,811,097**	**30,313,124**
160.	Administrative expenses:	(34,041,413)	(32,283,954)
	a) personnel expenses	(21,485,911)	(19,189,744)
	b) other administrative expenses	(12,555,502)	(13,094,210)
170.	Net reversal of (accruals to) provisions for risks and charges	(210,996)	681,998
	a) commitments and guarantees given	(143,996)	(248)
	b) other	(67,000)	682,246
180.	Depreciation and net impairment losses on property, equipment and investment property	(2,299,173)	(2,317,875)
190.	Amortisation and net impairment losses on intangible assets	(86,740)	(59,080)
200.	Other operating income, net	4,673,897	5,012,720
210.	**Operating costs**	**(31,964,425)**	**(28,966,191)**
220.	Net loss on equity investments	(73,073)	(1,558,024)
260.	**Profit (loss) from continuing operations before taxes**	**6,773,599**	**(211,091)**
270.	Income taxes	(1,192,827)	988,779
280.	**Profit from continuing operations after taxes**	**5,580,772**	**777,688**
300.	**Profit for the year**	**5,580,772**	**777,688**

STATEMENT OF COMPREHENSIVE INCOME OF BANCA FINNAT EURAMERICA S.P.A.
(amounts in euro)

		2020	2019
10.	Profit for the year	5,580,772	777,688
	Other comprehensive income after taxes that will not be reclassified to profit or loss		
20.	Equity instruments at fair value through other comprehensive income	2,777,312	5,292,833
70.	Defined benefit plans	36,420	(52,877)
	Other comprehensive income after taxes that will be reclassified to profit or loss		
140.	Financial assets (other than equity instruments) at fair value through other comprehensive income	1,076,686	8,112,082
170.	Total other comprehensive income after tax	3,890,418	13,352,038
180.	Comprehensive income (Items 10+170)	9,471,190	14,129,726

Item 20. also includes the change in the fair value of the investments in subsidiaries.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020
(in euros)

				Allocation of previous year profit		Changes during the year								
						Changes in reserves	Equity transactions						Comprehensive income for 2020	
	Balances at 31/12/2019	Change in opening balances	Balances at 01/01/2020	Reserves	Dividends and other allocations		New share issue	Repurchase of treasury shares	Extraordinary dividend distribution	Change in equity instruments	Derivatives on treasury shares	Stock options		Equity at 31/12/2020
Share capital:	72,576,000		72,576,000	-	-	-	-	-	-	-	-	-	-	72,576,000
a) ordinary shares	72,576,000		72,576,000	-	-	-	-	-	-	-	-	-	-	72,576,000
b) other shares	-		-	-	-	-	-	-	-	-	-	-	-	-
Share premium	-		-	-	-	-	-	-	-	-	-	-	-	-
Reserves:	121,280,592		121,280,592	777,688	-	-	-	-	-	-	-	-	-	122,058,280
a) income -related	117,038,781		117,038,781	777,688	-	-	-	-	-	-	-	-	-	117,816,469
b) other	4,241,811		4,241,811	-	-	-	-	-	-	-	-	-	-	4,241,811
Valuation reserve	57,122,316		57,122,316	-	-	-	-	-	-	-	-	-	3,890,418	61,012,734
Equity instruments	-		-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	(14,059,346)		(14,059,346)	-	-	-	-	-	-	-	-	-	-	(14,059,346)
Profit for the year	777,688		777,688	(777,688)	-	-	-	-	-	-	-	-	5,580,772	5,580,772
Equity	237,697,250	-	237,697,250	-	-	-	-	-	-	-	-	-	9,471,190	247,168,440

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019 (in euros)

				Allocation of previous year profit		Changes during the year								
						Changes in reserves	Equity transactions						Comprehensive income for 2019	
	Balances at 31/12/2018	Change in opening balances	Balances at 01/01/2019	Reserves	Dividends and other allocations		New share issue	Repurchase of treasury shares	Extraordinary dividend distribution	Change in equity instruments	Derivatives on treasury shares	Stock options		Equity at 31/12/2019
Share capital:	72,576,000		72,576,000	-	-	-	-	-	-	-	-	-	-	72,576,000
a) ordinary shares	72,576,000		72,576,000	-	-	-	-	-	-	-	-	-	-	72,576,000
b) other shares	-		-	-	-	-	-	-	-	-	-	-	-	-
Share premium	-		-	-	-	-	-	-	-	-	-	-	-	-
Reserves:	118,855,745		118,855,745	2,468,842	-	-	-	-	-	-	-	-	-	121,280,592
a) income-related	114,569,939		114,569,939	2,468,842	-	-	-	-	-	-	-	-	-	117,038,781
b) other	4,285,806		4,285,806	-	-	(43,995)	-	-	-	-	-	-	-	4,241,811
Valuation reserve	43,770,278		43,770,278	-	-	-	-	-	-	-	-	-	13,352,038	57,122,316
Equity instruments	-		-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	(14,059,346)		(14,059,346)	-	-	-	-	-	-	-	-	-	-	(14,059,346)
Profit for the year	6,097,641		6,097,641	(2,468,842)	(3,628,799)	-	-	-	-	-	-	-	777,688	777,688
Equity	227,240,318	-	227,240,318	-	(3,628,799)	(43,995)	-	-	-	-	-	-	14,129,726	237,697,250

STATEMENT OF CASH FLOWS (indirect method)
(amount in euros)

	Amount	
	2020	**2019**
A. OPERATING ACTIVITIES		
1. Operations	18,480,350	21,600,006
- profit for the year (+/-)	5,580,772	777,688
- net losses on financial assets held for trading and on other financial assets and liabilities at fair value through profit or loss (-/+)	77,002	2,248,925
- gains/losses on hedging transactions (-/+)	-	-
- net impairment losses for credit risk (+/-)	5,233,878	12,003,599
- amortisation, depreciation and net impairment losses on property, equipment and investment property and intangible assets (+/-)	2,441,139	2,414,103
- net accruals to provisions for risks and charges and other costs/revenue (+/-)	1,116,321	188,659
- taxes, duties and tax credits not liquidated (+/-)	(1,192,827)	988,779
- net impairment losses/reversals of impairment losses on non-current assets held for sale and disposal groups net of tax effect (+/-)	-	-
- other adjustments (+/-)	5,224,065	2,978,253
2. Cash generated by/used for financial assets	234,736,263	(171,559,538)
- financial assets held for trading	51,025,099	(21,305,533)
- financial assets at fair value	-	-
- other financial assets mandatorily measured at fair value	293,644	(319,243)
- financial assets at fair value through other comprehensive income	27,164,003	(58,519,789)
- financial assets at amortised cost	150,557,097	(92,017,797)
- other assets	5,696,420	602,824
3. Cash generated by/used for financial liabilities	(256,628,548)	152,123,795
- financial liabilities at amortised cost	(258,348,409)	155,329,239
- financial liabilities held for trading	(112,061)	(170,970)
- financial liabilities at fair value	-	-
- other liabilities	1,831,922	(3,034,474)
Net cash flows generated by/used in operating activities	(3,411,935)	2,164,263
B. INVESTING ACTIVITIES		
1. Cash generated by	3,548,330	3,906,356
- disposals of equity investments	-	-
- dividends from equity investments	3,548,330	3,890,266
- disposals of property, equipment and investment property	-	16,090
- disposals of intangible assets	-	-
- disposals of business units	-	-
2. Cash used for	(122,393)	(2,404,518)
- purchases of equity investments	-	(2,050,000)
- purchases of property equipment and investments property	(57,341)	(263,289)
- purchases of intangible assets	(65,052)	(91,229)
- purchases of business units	-	-
Net cash flows generated by investing activities	3,425,937	1,501,838
C. FINANCING ACTIVITIES		
- issues/repurchases of treasury shares	-	-
- issues/purchases of equity instruments	-	-
- dividend and other distributions	-	(3,628,800)
Net cash flows used in financing activities	-	(3,628,800)
NET CASH FLOWS FOR THE YEAR	14,002	37,301

Key:
(+) generated
(-) used

RECONCILIATION	2020	2019
FINANCIAL STATEMENT ITEMS		
Cash and cash equivalents at the beginning of the year	696,020	658,718
Total net cash flows for the year	14,002	37,301
Cash and cash equivalents: effect of exchange rate changes		
Cash and cash equivalents at the end of the year	710,022	696,019

NOTES TO THE SEPARATE FINANCIAL STATEMENTS OF BANCA FINNAT EURAMERICA S.p.A.

Set out below are the sections of the Notes to the Financial Statements applicable to the Bank.

Part A - Accounting policies

A.1 - General information

Section 1 - Statement of compliance with international accounting standards

The separate financial statements at 31 December 2020 of Banca Finnat Euramerica S.p.A. have been prepared applying the International Accounting Standard (IAS) and the International Financial Reporting Standards (IFRS), as amended by the International Accounting Standards Board (IASB) and approved by the European Commission, in force at 31 December 2020, in accordance with the procedures laid down in EC Regulation no. 1606/02.
The international accounting standards have been applied taking into account, where necessary, the "Framework for the Preparation and Presentation of Financial Statements" (the Framework).
For further guidance on the application of the new accounting standards, the Company has also referred to the interpretations provided by the International Financial Reporting Interpretations Committee (IFRIC), as well as the documents issued to support the introduction of the IAS/IFRS in Italy by the Organismo Italiano di Contabilità (OIC) - the Italian Accounting Board - and the documents produced by the Italian Bankers' Association (ABI).
If no standard or applicable interpretation applied specifically to a transaction, other event or condition, reference was made to the provisions and guidelines contained in the standards and interpretations dealing with similar and related issues, taking into account the Framework provisions.

Section 2 - General financial reporting principles

The Separate Financial Statements of Banca Finnat Euramerica S.p.A. at 31 December 2020 were prepared in accordance with the provisions laid down by Circular no. 262 of 22 December 2005 "Banks' financial statements: preparation layouts and regulations" - update 6 of 30 November 2018 - issued by the Bank of Italy.
In drafting the Financial Statements, account was taken of the additions to the provisions of the aforementioned Circular, communicated by the Bank of Italy with letter Prot. 1676157/20 of 16 December 2020, concerning the impacts of COVID-19 and the measures in support of the economy and amendments to IAS/IFRS. These additions are intended to provide the market with information on the effects that COVID-19 has produced on risk management strategies, objectives and policies, as well as on the Bank's economic and equity situation.
Account was also taken of the interpretative and support documents for the application of the accounting standards in relation to the impacts of COVID-19, issued by the European regulatory and supervisory bodies and by standard setters, aimed at clarifying the methods of application of the IAS/IFRS in the current pandemic environment (ESMA Notices, EBA guidelines and letter from the ECB dated 4 December 2020).
The accounting standards applied to prepare these Financial Statements have remained unchanged with respect to those applied to prepare the Financial Statements for 2019.

The Separate Financial Statements consist of the Statement of financial position, Income Statement, Statement of Changes in Equity, Statement of Comprehensive Income, Statement of Cash Flows and these Notes to the Parent Report. They also comprise the Report on Parent operation on the Bank's situation, on operations as a whole and in the various sectors in which it has operated as well as on main risks and uncertainties that it faces.
The Separate Financial Statements also contain, as an attachment, the Statement of changes in equity investments.
The Corporate Governance Report is provided in the specific section, drawn up in accordance with Article 123-bis of the Italian Consolidated Financial Law.
The Notes to the Separate Financial Statements provide all information required by law and additional information deemed necessary to give a true and fair view of the Bank's situation. If the information required by the international accounting standards and by the provisions of Bank of Italy's Circular no. 262 of 22 December 2005 - 6th revision does

not suffice to give a true and fair, reliable, comparable and comprehensible view, the notes to the financial statements provide additional information for said purpose.
The tables of the Statement of financial position, Income Statement and Statement of Comprehensive Income are made up of items, sub-items and by additional information on the items and sub-items. The items, sub-items and related details constitute the financial accounts. All items with nil balances either for the current or for the previous financial year are not shown. Revenues in the Income Statement and Statement of Comprehensive Income are shown without any sign whilst costs are shown in brackets.
Comparative figures are shown for each account item of the statement of financial position, Income Statement, Statement of Comprehensive Income and Statement of Cash Flows.
Consistently with Article 5 of Italian Legislative Decree no. 38 of 28 February 2005, the Separate financial statements were prepared using the euro as the presentation currency. The amounts of the statements are expressed in euro, whilst the figures of the Notes to the Financial Statements, unless otherwise specified, are expressed in thousands of euros.
The Separate financial statements provide a true and fair view of the financial position, the result for the year and cash flows. The financial statements were also prepared, as specified above, on a going concern basis (IAS 1 paragraph 25), on an accrual basis (IAS 1 paragraphs 27 and 28), in compliance with the obligation to make adjustments to reflect the events subsequent to the reference date of the financial statements (IAS 10). The assets and liabilities, income and expenses have not been offset, except where required or allowed by a standard or interpretation (IAS 1 paragraph 32). The cost of inventory and of the financial instruments was calculated using the weighted average daily cost method, (IAS 2, paragraph 25).

The Separate Financial Statements for Banca Finnat Euramerica S.p.A. were audited by KPMG S.p.A., to whose Report attached hereto specific reference is made.
As required by IAS 8, the Regulations endorsed by the European Commission that apply from 1 January 2020 onwards are shown below:

- Regulation no. 2075/2019 - Amendments to IAS 8 Accounting policies, changes in accounting estimates and errors, IAS 34 Interim financial reporting, IAS 37 Provisions, contingent liabilities and contingent assets, IAS 38 Intangible assets, IFRS 3 Business combinations; IFRS 6 Exploration for and evaluation of mineral resources and the interpretations IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC 32.
- Regulation no. 551/2020 - Definition of a business (Amendments to IFRS 3 Business combinations).
- Regulation no. 1434/2020 - COVID-19-Related Rent (Amendments to IFRS 16 Leases).

In addition, the European Commission endorsed the following Regulation (through amendments or the promulgation of new standards) that will apply from 1 January 2021 onwards:

- Regulation no. 25/2021 - Interest Rate Benchmark Reform - phase 2 - (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).

Section 3 - Subsequent events

In the period spanning the end of the 2020 financial year and the date on which these Financial Statements were prepared, no significant events or factors that could affect the financial position, capital position, or results of operations of the Bank emerged.

However, it should be noted that on 8 March 2021 Covivio 7 S.p.A. (formerly Beni Stabili Siiq) - a 17.89% shareholder of InvestiRE SGR - sold its entire stake (equal to 2,643 shares) to Banca Finnat; at the same time, the Bank sold 8.9% (equal to 1,315) of the shares purchased to E.N.P.A.F. (National Insurance and Assistance Agency for Pharmacists).

This transaction allowed the entry into the InvestIRE capital of ENPAF which, as a historical shareholder of the SGR, will be able to contribute to the strategic development of InvestiRE. Upon completion of the transaction, the Bank increased its stake in InvestiRE Immobiliare SGR from 50.16% to 59.15%.

The details of the transactions are illustrated in the "Information document relating to transactions of greater importance with related parties" published on the Bank's website *www.bancafinnat.it*, in the section Investor Relations/Corporate Governance/Information document on transactions with associated parties and attachments.

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As regards the health emergency situation deriving from the COVID-19 pandemic, it should be noted that in the first few days of January 2021 there was a general deterioration of the epidemiological situation in the country. The national transmission index (Rt) increased with peaks, in some regions, greater than 1.25. In this context, on 14 January the Council of Ministers with Law Decree no. 2 extended the state of emergency linked to the COVID-19 pandemic expiring on 31 January to 30 April 2021; on the same date, the government also issued a new Prime Ministerial Decree with anti-contagion measures in effect from 16 January to 5 March 2021. The new Prime Ministerial Decree sets limits on travel between regions and confirms the division of the country into red, orange and yellow regions, based on the contagion indexes, confirming all the measures already in place and expiring at the end of January. In order to manage and reduce the spread of the pandemic in the first few days of January, the first phase of the vaccination campaign began throughout the country. The goal of the population vaccination campaign is to limit the infection and achieve herd immunity as soon as possible. The campaign, started on 27 December 2020 ("vaccine day") after the approval by the EMA (European Medicines Agency) of the first COVID vaccine, continued following the directives indicated in the National Vaccination Plan drawn up by the Ministry of Health. On 2 March the Government issued a new Prime Ministerial Decree that dictated new rules and confirmed the previous ones in force from 6 March to 6 April. The restrictive measures enacted included the closure of all schools of all levels in the red areas.

The Bank continues to tackle the pandemic emergency in line with the new government measures issued at national and local level aimed at combating and containing the spread of the virus.
In this context, the Bank has further strengthened health facilities and increased the number of smart working employees, extending this working method also to business structures.
The Bank's Coronavirus Emergency Committee monitors the ongoing development of the pandemic at the national level in order to provide guidance on how to deal with any potential outbreaks.
It should be noted that, despite the great emergency situation described above, the Bank ensured and continues to ensure business continuity vis-à-vis counterparties and the market, always ensuring maximum efficiency of the service offered to customers both in branch and through remote channels.
The 2020 financial statements will be submitted for the approval of the Shareholders' Meeting convened for 30 April 2021.

Section 4 - Other information

Risks, uncertainties and impacts of the COVID-19 epidemic

In compliance with Bank of Italy's communication dated 16 December 2020 "Additions to the provisions of circular no. 262/2005 concerning the impacts of COVID-19 and measures to support the economy and amendments to the IAS/IFRS" information is provided below on the effects that the COVID-19 epidemic has produced on the strategies, objectives and policies, as well as on the Bank's economic and financial position.

Risks and uncertainties

In compliance with the IAS/IFRS standards, the Bank carries out evaluations, estimates and assumptions in support of the application of the accounting standards and for the determination of the amounts of the assets, liabilities, costs and revenues reported in the consolidated financial statements, as well as the disclosure relating to contingent assets and liabilities.
The estimates and relevant assumptions are based on previous experience and on other factors considered reasonable in the case in question and were adopted to estimate the carrying amount of the assets and liabilities that cannot be easily inferred from other sources.
In particular, estimate processes were adopted in support of the book value of some of the most significant valuation items recognised in the financial statements at 31 December 2020, as set forth in the accounting standards and the reference regulations described above. These processes are based largely on estimates of future recoverability of the values booked to the financial statements according to the rules dictated by the regulations in force and were carried out on the basis of the going concern assumption, i.e. excluding the assumption of forced settlement of the items subject to valuation.
The processes adopted confirm the book values at 31 December 2020. The parameters and information used to verify the values mentioned earlier are therefore greatly influenced by the factors which could be subject to rapid changes that are currently not foreseeable, so that subsequent effects on future book values cannot be ruled out.
The estimates and assumptions are reviewed regularly. Any changes resulting from these revisions are booked in the period in which the revision is carried out, if the same concerns solely that period. In the event in which the revision concerns both current and future periods, the change is booked in the period in which the revision is carried out in the relative future periods.
The main cases where the use of subjective evaluations by Management are most requested are:

- the quantification of losses due to impairment of receivables and, in general, other financial assets and equity investments;
- the use of valuation models for the recognition of the fair value of the financial instruments not listed in active markets;
- the estimate and the assumptions of the recoverability of deferred tax assets;
- the estimate of any provisions for risks and charges.

Business continuity

In accordance with the requirements jointly issued by Bank of Italy, Consob and Isvap document no. 2 of 6 February 2009 and paragraphs 25 and 26 of IAS 1, the Directors of the Bank, in the current COVID-19 epidemiological emergency, have taken into account with the utmost caution and attention - for the purpose of preparing these financial statements - a series of financial, management and other indicators, in order to identify the existence of any circumstance that may be relevant for assessing the compliance with the 'going concern' requirement.
As a result of the audits carried out in respect of the realisable value of the assets and in consideration of the reliability and results of the risk measurement systems, the Directors of the Bank are confident there is no evidence that could cast doubts in respect of the Bank's going concern assumption, even when taking full account of the impacts of COVID-19. Given the size of assets, the substantial financial resources owned and the breakdown, quality and liquidity of the portfolio of financial assets, the Directors of the Bank have prepared these financial statements in the full conviction that the Bank meets the requirements of a going concern in the foreseeable future.

Methods of application of the IAS/IFRS accounting standards

In preparing these Financial Statements, the Bank paid particular attention to compliance with accounting and prudential rules as well as the correct application of international accounting standards, also taking into account the aforementioned communication from the Bank of Italy. From the analysis performed - focusing in particular on IFRS 9 and IAS 36, IFRS 15 and IFRS 16, summarised below - no particularly critical issues were identified as concerns for the drafting of these financial statements.

IFRS 9 - Financial instruments IAS 36 - Impairment of assets

On the premise that the Bank has not modified its business models, the following topics were analysed in particular:

- Increase in credit risk.
  Taking into account the intervention of ESMA of 25 March and of the IFRS Foundation of 27 March, the Bank did not consider the economic support measures put into place by the government to support borrowers in response to Covid-19 as measures that automatically trigger an SICR (significant increase in credit risk); instead, it evaluated any increase in credit risk using current and outlook reasonable and supportable information at the date on which these Financial Statements were drafted.
  It should also be highlighted that the moratoriums granted with respect to performing customers to handle the COVID-19 emergency, in line with the provisions of the guidelines issued by the European Banking Authority (EBA/GL/2020/02) on 2 April 2020, did not entail the classification of customer exposures as forborne performing exposures since the application of a general legislative moratorium, adopted as a specific response to the current economic situation caused by the Covid-19 pandemic, is not a forbearance measure and therefore should not be considered a restructuring as a result of financial difficulty. Furthermore, for those positions, the calculation of days past due was therefore suspended.
- Staging allocation.
  In order to prepare the Financial Statements at 31 December 2020, the Bank adopted a prudential approach while maintaining its policies unchanged with respect to the staging allocation, without adopting exceptions due to the extraordinary emergency situation and intended to mitigate the deterioration in exposure staging.
- Measurement of losses on loans.
  The update of the economic scenario developed for the purpose of determining the expected losses on financial assets took into account the recommendations provided by international bodies and by the supervisory authorities, in particular as regards the assessment of the impacts on the impairment model generated by the increase in the level of uncertainty due to the economic crisis triggered by the COVID-19 pandemic. The statistical model incorporated the downward revisions of growth, for the global economy as well as specifically for Italy. The increase - equal to approximately 700 thousand euros - in collective provisions on performing loans to customers, compared to what would have been recorded by adopting the loss forecasts for the previous year, mainly derives from the persistence of the emergency situation and the difficulties associated to the resolution of the crisis, despite the benefits expected from the economic measures adopted at national and EU level.
- Fair value measurement.
  In the current context characterised by market uncertainty and volatility, there could be an increase in measurements classified as Level 3, through the use of non-observable inputs, due to the disappearance of prices quoted in active markets (Level 1) and/or observable inputs (Level 2). The movement within the fair value hierarchy could take place for various types of financial instruments. At 31 December 2020, there have been no significant changes in the fair value hierarchy and as regards the valuation of financial instruments classified in level 3, the Bank has maintained the same criteria as those adopted in the 2019 financial statements.

- Asset impairment.
  At 31 December 2020, the Bank has carried out a verification relative to possible value impairments on its assets also taking into account the crisis situation generated by COVID-19.
  Pursuant to IAS 36, among other things, the Bank checked the recoverability of the book values of equity investments in associated companies measured at cost and, only for Imprebanca, recognised an impairment of 73 thousand euros.

Contractual changes resulting from COVID-19

1) Contractual changes and accounting derecognition
   At 31 December 2020, the pandemic did not cause significant deterioration in the payment capacity of the Bank's customers; to this end, the following were assessed:
   - whether any price reductions granted may have led to a change in the contract;
   - if any payment extensions granted to customers could generate a significant financial component.

   The analysis performed did not show conditions for the revision of timing and methods for the recognition of revenues.
   It should also be noted that during the year - following the measures put in place by the Government to support the economy to mitigate the pandemic effect - no significant contractual changes or accounting derecognitions were made for the Bank's customers.

2) Amendment of accounting standard IFRS 16
   The Bank, as lessee, did not exercise any extension option set forth by IFRS 16 in the case of significant events or changes caused specifically by the decline in economic activity and the uncertainty of the macroeconomic scenario, nor did it rely on the provisions of the amendment "COVID-19 Related Rent Concessions" published by the IASB on 28 May 2020, which provides lessees with the option of accounting for payment reductions without needing to evaluate, by analysing the contracts, if the changes fall within the definition of lease modification set forth in IFRS 16.

Impact of the pandemic on the Bank's strategies and results for the year

The Bank's business strategies have not changed as a result of the pandemic. The Bank has ensured the business continuity vis-à-vis counterparties and the market, always ensuring the maximum efficiency of the service offered to customers both in branch and through remote channels.
None of the Bank's activities was interrupted, even temporarily, in particular as regards customer services.
As regards the quantitative impacts of the pandemic on the 2020 income statement, please refer to the paragraph "The main transactions in the year - COVID-19" of the Report on Operations where a detailed analysis is carried out of the result for the year in question and deviations recorded compared to 2019.
The Bank's liquidity position has always remained solid thanks to the broad availability of liquid reserves. In particular, in the 2020 financial year, the regulatory indicators - Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) - were considerably above requirements. From a capital perspective, the Bank's capital and asset quality make it possible to face the crisis in the near future with relative peace of mind.

Exemption from the preparation of the fourth interim financial report for 2020
With the implementation of the Directive on shareholders' rights (Italian Legislative Decree no. 27 of 27 January 2010), paragraph 1 of Article 154-ter was amended ("Financial Reports") of the Italian Consolidated Financial Law (the "TUF"). This amendment establishes that the annual Financial Report, comprising the draft statutory financial statements, the

consolidated financial statements, if prepared, the report on operations and the certification of the appointed administrative bodies and the Manager in charge of preparing the accounting documents, must be published within 120 days of the company year end. The obligation to ensure publication within 120 days refers specifically to the "draft financial statements" approved by the administrative body and no longer to the "statutory financial statements" approved by the Shareholders' Meeting. As such, this amendment restores, for listed companies, the option to postpone approval of the financial statements within maximum terms of 180 days as established by Article 2364, paragraph 2 of the Italian Civil Code, which had been abolished by Directive 2004/109/EC (so called Transparency Directive). The decree also establishes that, as an exception to Art. 2429, paragraph 1 of the Italian Civil Code, the draft financial statements must be disclosed by the directors to the board of statutory auditors and to the independent auditing firm at least 15 days prior to publishing the draft.

With reference to companies belonging to the STAR segment, Borsa Italiana has established the publication - in addition to the reports concerning the first and third quarters, as required by paragraph 5 of Article 154-ter - also the interim report on operations with reference to the 4th quarter; it has also allowed to omit drafting said report if publication of the draft financial statements is brought forward to 90 days as from the end of the year of reference. The term of 90 days (previously set to 75 days prior to the amendments introduced with the implementation of the Directive as explained above) was established by Borsa Italiana with its notice no. 14924 of 8 October 2010 concerning the "Amendments made to the Market Regulation".

In view of the above, the Bank opted not to publish the 4th interim report on operations, by making the draft Separate and Consolidated Financial Statements at 31 December 2020, complete with the certification by the Manager in charge of preparing the accounting documents, that of the Board of Statutory Auditors and the Auditing Firm, available to shareholders and to the market within the term of 90 days from the end of the financial year.

A.2 - Information on the main financial statement items

The accounting standards adopted in preparing the Financial Statements at 31 December 2020 remained unchanged with respect to those adopted in the 2019 Financial Statements as concerns classification, measurement and de-recognition, and are reported below.

1. Financial assets at fair value through profit or loss (FVTPL)

Classification criteria

This category includes financial assets other than those recognised as Financial assets at fair value through other comprehensive income and Financial assets at amortised cost. In particular, the item includes:

- financial assets held for trading, mainly represented by debt securities, UCIs and equities and the positive value of derivative contracts held for trading (Other/Trading);
- other financial assets mandatorily measured at fair value, represented by financial assets that do not meet the requirements for measurement at amortised cost ("Hold to Collect") or at fair value through other comprehensive income ("Hold to Collect and Sell").

These are financial assets whose contractual terms do not exclusively envisage capital reimbursements and interest payments on the amount of capital to be repaid (known as "SPPI test" not passed) or that are not held within the framework of a business model whose objective is the possession of assets aimed at collecting contractual cash flows or within the framework of a business model whose objective is achieved both through the collection of contractual cash flows and through the sale of financial assets; capital instruments for which the Bank does not exercise the irrevocable option for the measurement of these instruments at fair value through other comprehensive income are also included in this category.

- financial assets at fair value, i.e. financial assets thus defined at the time of initial recognition and where the requirements are met. In relation to this case, an entity may irrevocably designate a financial asset as at fair value through profit or loss at the time of recognition if, and only if, by doing so, it eliminates or significantly reduces a valuation inconsistency.

According to the general rules envisaged by IFRS 9 on the reclassification of financial assets (with the exception of equities, for which no reclassification is permitted), reclassifications to other categories of financial assets are not permitted unless the entity modifies its business model for the management of financial assets. In such cases, which are expected to be highly infrequent, financial assets may be reclassified from the category at fair value through profit or loss into one of the other two categories envisaged by IFRS 9 (Financial assets at amortised cost or Financial assets at fair value through other comprehensive income). The transfer value is the fair value at the time of reclassification and the effects of reclassification operate prospectively from the date of reclassification. In this case, the effective interest rate of the reclassified financial asset is determined on the basis of its fair value on the date of reclassification, and that date is considered as the date of initial recognition for the allocation to the various stages of credit risk (stage assignment) for the purposes of determining impairment.

Recognition criteria

Financial assets are initially recognised on the settlement date for debt securities and equities, on the disbursement date for loans and on the subscription date for derivative contracts.

Upon initial recognition, financial assets at fair value through profit or loss are recognised at fair value, without considering transaction costs or income directly attributable to the instrument itself.

Measurement criteria

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. The effects of the application of this measurement criteria are charged to the Income Statement.

Market prices are used to determine the fair value of financial instruments listed on an active market. In the absence of an active market, commonly adopted estimation methods and valuation models are employed that take into account all risk factors correlated with the instruments and that are based on market data, such as: valuation of listed instruments with similar characteristics, discounted cash flow calculations, option price calculation models, values posted in recent comparable transactions, etc. For equities and derivatives involving equities not listed on an active market, the cost method is used as a fair value estimate only in a residual way and limited to a few circumstances, i.e. in the case of non-applicability of all the measurement methods mentioned above (since the most recent information available to measure fair value is insufficient), or in the presence of a wide range of possible fair value assessments, in which the cost represents the most significant estimate.
For further information on the criteria for determining fair value, please refer to the specific "Information on fair value" section.

Derecognition criteria
Financial assets are derecognised only if the contractual rights to cash flows deriving from the financial asset expired or if the entity transferred the financial asset and the sale resulted in the substantial transfer of all risks and benefits related to the assets. On the other hand, if a significant portion of risks and benefits related to the financial assets sold has been maintained, these assets will continue to be recognised, even if the legal ownership of the assets has actually been transferred.
If it is not possible to determine the substantial transfer of risks and benefits, financial assets are derecognised when the control thereof is transferred. Otherwise, the fact that even partial control has been retained means that the assets must be carried for an amount proportional to the remaining involvement, which is measured by the exposure to changes in the value of the assets sold and the changes in their cash flows.
Finally, the financial assets sold are derecognised if the contractual rights to receive the relative cash flows are retained, but an obligation is concurrently assumed to pay out to other third parties the above-mentioned flows.

<u>2. Financial assets at fair value through other comprehensive income (FVOCI)</u>

Classification criteria
This category includes financial assets that meet both of the following conditions:
- the financial asset is held according to a business model whose objective is achieved both through the collection of contractual cash flows and through sale (Hold to Collect and Sell);
- the contractual terms of the financial asset envisage, at certain dates, cash flows represented solely by payments of principal and interest on the amount of principal to be repaid (known as passed "SPPI test").
The item also includes capital instruments, not held for trading, for which the option to be at fair value through other comprehensive income was exercised at the time of initial recognition.
In particular, this item includes:
- debt securities that are part of a Hold to Collect and Sell business model and passed the SPPI test;
- equity investments that do not qualify as establishing control or joint control over or association with companies and are not held for trading, for which the option to be at fair value through other comprehensive income was exercised;
- loans that are part of a Hold to Collect and Sell business model and passed the SPPI test.
According to the general rules envisaged by IFRS 9 on the reclassification of financial assets (with the exception of equities, for which no reclassification is permitted), reclassifications to other categories of financial assets are not permitted unless the entity modifies its business model for the management of financial assets.
In such cases, which are expected to be highly infrequent, financial assets may be reclassified from the category at fair value through other comprehensive income into one of the other two categories envisaged by IFRS 9 (Financial assets at amortised cost or Financial assets at fair value through profit or loss). The transfer value is the fair value at the time of reclassification and the effects of reclassification operate prospectively from the date of reclassification. In the event

of reclassification from this category to the amortised cost category, the cumulative gain (loss) recognised in the valuation reserve is recognised as an adjustment to the fair value of the financial asset at the date of reclassification. Whereas in the event of reclassification in the category of fair value through profit or loss, the cumulative gain (loss) previously recognised in the valuation reserve is reclassified from shareholders' equity to the income statement (in the item "Profit (losses) on trading").

Recognition criteria

Financial assets are initially recognised on the settlement date for debt securities and equities, and on the disbursement date for loans. Upon their initial recognition, assets are at fair value, which generally corresponds to the price paid. Any transaction costs or income directly attributable to the instrument itself are included in the purchase cost.

Measurement criteria

Subsequent to initial recognition, Assets classified at fair value through other comprehensive income, other than equities, are measured at fair value, with impacts deriving from application of amortised cost, the effects of impairment and any exchange rate effect recognised in the Income Statement, whereas other gains or losses arising from a change in fair value are recognised in a specific shareholders' equity reserve until the financial asset is derecognised. Upon disposal, in whole or in part, the cumulative gain or loss in the valuation reserve is reversed to the Income Statement.
The capital instruments chosen for classification in this category are measured at fair value and the amounts recognised with corresponding item in shareholders' equity must not be subsequently transferred to the income statement, even in the event of disposal. The only component relating to the equities in question that is recognised in the income statement is represented by the related dividends.
Fair value is determined on the basis of the criteria already illustrated for Financial assets at fair value through profit or loss.
For further information on the criteria for determining fair value, please refer to the "Information on fair value" section.
Financial assets at fair value through other comprehensive income - both in the form of debt securities and loans - are subject to checking the significant increase in credit risk (impairment) required by IFRS 9, as are Assets at amortised cost, with the consequent recognition in the income statement of an adjustment to cover expected losses. More specifically, on instruments classified in stage 1 (i.e. on financial assets at the time of origination, where performing, and on instruments for which there has been no significant increase in credit risk compared to the initial recognition date), a 12-month expected loss is recorded at the initial recognition date and at each subsequent reporting date. On the other hand, for instruments classified as stage 2 (performing positions for which there has been a significant increase in credit risk compared to the date of initial recognition) and stage 3 (non-performing exposures), an expected loss is recognised over the life of the financial instrument.
Vice versa, equities are not subject to impairment.

Derecognition criteria

Financial assets are derecognised only if the contractual rights to the cash flows from the financial asset expired or if the entity transferred the financial asset and the sale resulted in the substantial transfer of all the risks and benefits related to the assets. On the other hand, if a significant portion of risks and benefits related to the financial assets sold has been maintained, these assets will continue to be recognised, even if the legal ownership of the assets has actually been transferred.
If it is not possible to determine the substantial transfer of risks and benefits, financial assets are derecognised when the control thereof is transferred. Otherwise, the fact that even partial control has been retained means that the assets must be carried for an amount proportional to the remaining involvement, which is measured by the exposure to changes in the value of the assets sold and the changes in their cash flows.
Finally, the financial assets sold are derecognised if the contractual rights to receive the relative cash flows are retained, but an obligation is concurrently assumed to pay out to other third parties the above-mentioned flows.

3. Financial assets at amortised cost

Classification criteria

This category includes financial assets (in particular, loans and debt securities) that meet both of the following conditions:
- the financial asset is held according to a business model whose objective is achieved both through the collection of contractual cash flows, and the contractual terms of the financial asset envisage, at certain dates, cash flows represented solely by payments of principal and interest on the amount of principal to be repaid (known as passed "SPPI test"). More specifically, loans to banks and customers in different technical categories and debt securities meeting the requirements set out in the previous paragraph are included in this item.

This category also includes operating loans related to the provision of financial activities and services as established by the Italian Consolidated Law on Banking and the Italian Consolidated Financial Law.

According to the general rules envisaged by IFRS 9 on the reclassification of financial assets, reclassifications to other categories of financial assets are not permitted unless the entity modifies its business model for the management of financial assets. In such cases, which are expected to be highly infrequent, financial assets may be reclassified from the category at amortised cost into one of the other two categories envisaged by IFRS 9 (Financial assets at fair value through profit or loss or Financial assets at fair value through other comprehensive income). The transfer value is the fair value at the time of reclassification and the effects of reclassification operate prospectively from the date of reclassification. Gains and losses resulting from the difference between the amortised cost of the financial asset and its fair value are recognised in the income statement in the event of reclassification as Financial assets at fair value through profit or loss and Shareholders' equity, in the specific valuation reserve, in the event of reclassification as Financial assets at fair value through other comprehensive income.

Loans to customers also include receivables for lease transactions relating to sub-leases of portions of properties.

Recognition criteria

Financial assets are initially recognised on the settlement date for debt securities and on the disbursement date for loans. Upon initial recognition, assets are recorded at fair value, including transaction costs or income directly attributable to the instrument itself.

In particular, with regard to loans, the date of disbursement normally coincides with the date of signing of the agreement. If such a coincidence does not occur, a commitment to disburse funds is recorded at the time of signing the agreement, which ends on the date of disbursement of the loan. The loan is recognised on the basis of its fair value, equal to the amount disbursed, or subscription price, including costs/income directly attributable to the individual loan and determinable from the start of the transaction, even if settled at a later date.

Costs that, despite having the above characteristics, are reimbursed by the debtor counterparty or classified as ordinary internal administrative costs are excluded.

Measurement criteria

Following their initial recognition, the financial assets in question are at amortised cost, using the effective interest rate method. In these terms, the asset is recognised in the financial statements at an amount equal to its initial recognition value, less principal repayments, plus or minus the cumulative amortisation (calculated using the effective interest rate method referred to above) of the difference between this initial amount and the amount at maturity (typically attributable to costs/income charged directly to the individual asset). The effective interest rate is determined by calculating the rate that equals the present value of the future cash flows of the asset, for principal and interest, to the amount disbursed including costs/income related to the financial asset itself. This accounting method, which is based on a financial approach, allows the economic effect of costs/income directly attributable to a financial asset to be distributed over its expected residual life.

The amortised cost method is not used for assets - measured at historical cost - whose short duration makes the effect of the application of the discounting logic negligible, for those without a defined maturity or revocable loans.
The measurement criteria are strictly related to the inclusion of the instruments in question in one or the three stages (stages of credit risk) envisaged by IFRS 9, the last of which (stage 3) includes non-performing financial assets and the remaining (stages 1 and 2) performing financial assets.
With reference to the accounting representation of the above valuation effects, impairment losses relating to this type of asset are recognised in the Income Statement:
- upon initial recognition, for an amount equal to the 12-month expected credit loss;
- upon subsequent measurement of the asset, where the credit risk has not significantly increased compared to initial recognition, in relation to changes in the amount of impairment for losses expected in the following twelve months;
- upon subsequent measurement of the asset, where the credit risk significantly increased compared to initial recognition, in relation to the recognition of impairment for expected losses over the life of the asset as provided for in the contract;
- upon subsequent measurement of the asset, where - after a significant increase in credit risk since initial recognition;
- the "significance" of this increase has since disappeared, in relation to the adjustment of cumulative impairment losses to take account of the change from a full lifetime expected credit loss of the instrument to a 12-month expected credit loss.
If the financial assets in question are performing, they are measured in order to determine the impairment losses to be recorded in the financial statements at the level of the individual credit relation (or security "tranche"), depending on the risk parameters represented by probability of default (PD), loss given default (LGD) and exposure at default (EAD).
If, in addition to a significant increase in credit risk, there is evidence of impairment, the amount of the loss is measured as the difference between the book value of the asset - classified as "impaired", like all other transactions with the same counterparty - and the present value of the expected future cash flows, discounted at the original effective interest rate. The amount of the loss to be recognised in the Income Statement is defined on the basis of an analytical valuation process or determined by homogeneous categories and, therefore, analytically applied to each position and considers, as described in detail in the chapter "Impairment losses of financial assets", forward looking information and possible alternative recovery scenarios.
Non-performing assets include financial instruments that have been granted the status of bad loans, unlikely to pay or past due/overdue by more than ninety days according to the rules of the Bank of Italy, consistent with IAS/IFRS and European Supervisory regulations.
The expected cash flows take into account the expected recovery time and the estimated realisable value of any guarantee.
The original effective interest rate of each asset remains unchanged over time even though the relationship has been restructured resulting in a change in the contractual interest rate and even if the relationship ceases to bear the contractual interest for practical purposes.
If the reasons for impairment no longer apply due to an event occurring after the impairment was recognised, value recoveries are recognised in the Income Statement. The value recovery cannot exceed the amortised cost that the financial instrument would have had in the absence of previous adjustments.
Value recoveries related to the passing of time are recognised in net interest income.
In some cases, during the life of the financial assets in question and, in particular, of receivables, the original contractual terms can be amended by the parties to the contract. When, over the life of an instrument, the contractual clauses are amended, it is necessary to check whether the original asset must continue to be recognised in the financial statements or, on the contrary, whether the original instrument must be derecognised from the financial statements.
In general, changes in a financial asset lead to its derecognition and to the recognition of a new asset when they are "substantial". The assessment of whether the change is "substantial" must be subject to qualitative and quantitative considerations. In fact, in some cases it may be clear, without resorting to complex analyses, that the changes introduced substantially modify the characteristics and/or contractual flows of a given asset while, in other cases, further analyses

(including quantitative analyses) will have to be carried out in order to appreciate their effects and check the need to derecognise or not the asset and to recognise a new financial instrument.
Therefore, qualitative and quantitative analyses aimed at defining the "substantiality" of the contractual changes made to a financial asset will have to consider:
- the purposes for which the changes were made: for example, renegotiations for commercial reasons and forbearance due to financial difficulties of the counterparty:

- the first, aimed at "retaining" the customer, involve a debtor who is not in financial difficulty. This case study includes all the renegotiation operations that are aimed at adjusting the cost of the debt and the duration to market conditions;
- the latter, carried out for "credit risk reasons" (forbearance measures), are attributable to the bank's attempt to maximise the recovery of the cash flows of the original loan. As a rule, the underlying risks and benefits are not substantially transferred after the changes and, consequently, the accounting representation that provides the most relevant information for the reader of the financial statements (except for what will be said below on the subject of objective elements), is that made through "modification accounting" and not through "derecognition" that implies the recognition in the income statement of the difference between the book value and the present value of the modified cash flows discounted at the original interest rate.

- the presence of specific objective elements ("triggers") that affect the characteristics and/or contractual flows of the financial instrument (such as, for example, a change in the currency or a change in the type of risk to which one is exposed, when correlated with equity and commodity parameters), which are deemed to entail derecognition in view of their impact (expected to be significant) on the original contractual flows.

Derecognition criteria
Financial assets are derecognised only if the contractual rights to the cash flows from the financial asset expired or if the entity transferred the financial asset and the sale resulted in the substantial transfer of all the risks and benefits related to the assets. On the other hand, if a significant portion of risks and benefits related to the financial assets sold has been maintained, these assets will continue to be recognised, even if the legal ownership of the assets has actually been transferred.
If it is not possible to determine the substantial transfer of risks and benefits, financial assets are derecognised when the control thereof is transferred. Otherwise, the fact that even partial control has been retained means that the assets must be carried for an amount proportional to the remaining involvement, which is measured by the exposure to changes in the value of the assets sold and the changes in their cash flows.
Finally, the financial assets sold are derecognised if the contractual rights to receive the relative cash flows are retained, but an obligation is concurrently assumed to pay out to other third parties the above-mentioned flows.

4 - Hedging Transactions

Classification criteria
Risk hedging transactions are directed at neutralising potential losses, attributable to a determined risk, and recognisable on a determined element or group of elements, if that specific risk should actually manifest itself.
IFRS 9 envisages, at the time of its introduction, the possibility of continuing to apply in full the provisions of the former IAS 39 on hedge accounting (in the carved-out version approved by the European Commission) for each type of hedge (both for specific hedges and for macro hedges).

Recognition criteria
Hedging derivatives, like all derivatives, are initially recognised and subsequently measured at fair value.

Measurement criteria

Hedging derivatives are measured at fair value. In the case of fair value hedging, the change in fair value of the hedged element is offset with the change in fair value of the hedging instrument. This offset is recognised through the recognition in the income statement - under item 90 "Fair value adjustments in hedge accounting" - of said value changes, referred both to the hedged element (with regard to the changes caused by the underlying risk factor), and to the hedging instrument. Any difference, which represents the partial ineffectiveness of the hedge, consequently constitutes its net economic effect.

The derivative is designated as a hedging derivative if there is a formalised documentation of the relationship between the hedged instrument and the hedging instrument and if it is effective at the time when the hedge starts and, prospectively, throughout the time of its validity.

The effectiveness of the hedge depends on the extent to which the changes in fair value of the hedged instrument are offset by those of the hedging instrument. Therefore, the effectiveness is determined by the comparison between the aforesaid changes, taking into account the intent pursued by the company when the hedge was established.

If the hedge is ineffective, hedge accounting, as set out above, is stopped, the hedging derivative is reclassified among trading instruments and the hedged financial instrument reacquires the measurement criteria that matches its classification in the financial statements.

5 - Equity investments

Classification criteria

The item "Equity investments" includes investments in subsidiaries, associated companies and jointly controlled companies; as required by IAS 28, this item also includes equity interests classified as joint ventures.

Equity interests in other companies in which the Bank does not exercise control or over which it has no significant influence, either directly or through its subsidiaries, but which are acquired as long-term investments and not held for the purpose of trading, are classified as "Financial assets at fair value through other comprehensive income" in accordance with IFRS 9.

Recognition criteria

Equity investments are recorded at their settlement date and at purchase - or subscription - cost, including the additional charges.

Measurement criteria

Equity investments in subsidiaries are all measured at fair value, while equity investments in associated companies and joint ventures are recorded measured at cost.

The method for determining the fair value is in line with current market practice and, on the basis of the provisions of IFRS 9, it refers to a series of objective parameters.

The model is based on the discounting of cash flows, as they emerge from the updated long-term plan of the subsidiaries. The figure is used (subject to the updating of parameters) in the preparation of financial statements in order to determine any change in fair value, taking into account any further adjustment needed given specific market situations.

Derecognition criteria

Equity investments are derecognised when they are transferred, with the substantial transfer of all related risks and benefits, or when the contractual rights to cash flows deriving from them expire.

Recognition criteria of income components

- Equity investments in subsidiaries measured at fair value

Changes in fair value resulting from the differences between the measurements at the end of the current year and those of the previous years are recorded using the same criteria prescribed for the category "Financial assets at fair value through other comprehensive income", in compliance with IFRS 9.

- Equity investments in associated companies and jointly controlled companies are measured at cost

If there is evidence that the value of an equity investment may be impaired, the recoverable amount of said equity investment is estimated considering the present value of future cash flows that the investment could generate, including the final disposal value of the investment.
If the recoverable amount is not temporarily lower than the carrying amount, the difference is recorded in the income statement under item 220 "Profit (loss) from equity investments".
If the reasons for the impairment are removed following an event that occurs after the recognition of the impairment, value recoveries are made through profit and loss under the same item as above in the measure of the previous adjustment.

6 – Property, equipment and investment property

Classification criteria
This item includes the assets for permanent use held to generate income and the property held for investment purposes. Property, equipment and investment property also include advance payments made for the purchase and revamping of assets that are not yet part of the production process and hence not yet subject to depreciation.
Rights of use acquired through leases and relating to the use of a property or equipment (for the lessees) and assets granted under an operating lease (for the lessors) are also included.
Recognition criteria
All classes of property, plant and equipment recognised as assets are initially recorded at cost, insofar as it is representative of their fair value. The cost includes the purchase price, non-recoverable purchase taxes and any cost directly descending from the installation of the asset for its intended use, minus any trade discount.
Financial expenses are recorded according to IAS 23 and, therefore, recognised as a cost in the year in which they were incurred.
Overheads and administrative expenses are not included in the initial cost of the assets in question, unless they are directly descended from the purchase of the asset or its installation.
Lease agreements, in accordance with IFRS 16, are accounted for on the basis of the right of use model whereby, at the initial date, the lessee has a financial obligation to make payments due to the lessor as compensation for its right to use the underlying asset during the lease term. The duration of the lease agreement is determined by taking into account the period of time during which the agreement is payable; the lease agreement is considered no longer collectible when the lessee and the lessor each have the right to terminate the lease without the consent of the other party, exposing themselves at most to a minimum penalty.
When the asset is made available to the lessee for use (initial recognition date), the right of use is recognised - net of VAT and any sub-leases - as a balancing entry to the payable equal to the present value of the lease payments to be made to the lessor.

Measurement criteria
Following their initial recognition, instrumental fixed assets and fixed investments are measured at cost minus the accumulated depreciation and taking into account any impairment losses and/or value recoveries.
This principle has been adopted because it was deemed more appropriate than the revaluation method provided by the reference accounting standard.
Property and equipment are depreciated each year, at rates calculated by reference to the residual possibility of using the assets, their related useful life and realisable value, except for land (incorporated in the asset value) and works of art, insofar as they have an indefinite life. In the case of land whose value is incorporated in the value of the property

and equipment, the relevant separation is made only for free-standing buildings. For assets acquired during the year, the amortisation is calculated on a daily basis starting on the date on which the asset was first used.
Property and equipment featuring an unlimited useful life cannot be depreciated.
Subsequent expenses relating to property, plant and equipment, already recorded, are added to the book value of the asset when it is likely that the future economic benefits exceed the previously established ordinary performance of the asset.
At the end of each reporting period, an impairment test is carried out on the assets. More specifically, a comparison is made between the book value of the asset (purchase cost less accumulated depreciation) and its recoverable amount, equal to the greater of the fair value, minus any sales cost, and the related value of use of the asset, meaning the present value of the future cash flows expected from the asset. Adjustments are recorded in the income statement under item 180 "Net losses/recoveries on property and equipment". If the reasons that led to the recognition of the loss cease to apply, a value recovery is recorded that may not exceed the value that the asset would have had minus the depreciation calculated in the absence of previous impairment losses.
Property and equipment consisting of rights of use acquired under a lease, recorded in accordance with IFRS 16, are measured using the cost model and depreciated over the lease term and periodically subjected to impairment testing.

Derecognition criteria
The book value of property and equipment must be derecognised on its disposal, or when no future economic benefit is expected from its use.
The right of use deriving from lease agreements is eliminated from the Financial Statements at the end of the term of the lease agreement, which may be modified with respect to the initial recognition of the right of use, to take into account the exercise of any early extinction, renewal or purchase options not considered at the time of recognition.

7 - Intangible assets

Classification criteria
Intangible assets relate to software for multi-year use. The positive difference between the value of the assets and liabilities acquired following a business combination and the related purchase price of the combined business entity is recorded under the intangible assets as goodwill.

Recognition criteria
Intangible assets are recorded at their purchase cost. The purchase cost may be adjusted for ancillary charges. The costs incurred for the purchase of intangible assets are recognised only if they are identifiable, their cost can be measured reliably, they can be controlled and they are able to generate future economic benefits. Otherwise, the cost of the intangible asset is recorded in the income statement in the year in which it was incurred.
The Bank, in view of the option envisaged by IFRS 16.4, decided not to apply the standard to any operating leases on intangible assets. Therefore, Intangible assets do not include rights of use acquired under operating leases (as lessee) and relating to the use of an intangible asset.

Measurement and recognition criteria of income statement items
Following their initial recognition, intangible assets are measured at cost, less the accumulated amortisation and any impairment of losses. The "at cost" measurement method was deemed more appropriate than the "revaluation" method. The cost of intangible assets is amortised, minus the recoverable amount, on the basis of their estimated useful life. For assets acquired during the year, the amortisation is calculated on a daily basis starting on the date on which the asset was first used. In the case of assets transferred and/or disposed of during the year, the amortisation is calculated on a daily basis until the date of transfer and/or disposal.

If the useful life of the fixed asset cannot be established and appears to be indefinite (goodwill), the asset is not amortised, however it is periodically tested for impairment and, in any case, each time objective evidence is found to this effect its initial recognition value may have to be changed. The performance of this test entails the prior allocation of goodwill to a cash-flow-generating unit, whose value can be reliably estimated. Goodwill impairment is calculated as the difference between its book value and the estimated recoverable amount, determined by reference to the cash-flow-generating unit to which the goodwill in question has been allocated. Any impairment calculated as the difference between the book value of the fixed asset and its recoverable amount is recorded in the income statement under item "240 Goodwill impairment losses". Goodwill impairment may not be reversed in future accounting periods as required by IAS 36.

Regarding intangible assets other than goodwill, if there is evidence of impairment, an estimate is made each year of the recoverable amount of the assets. The amount of the loss, recorded in the income statement, is equal to the difference between the book value of the asset and its recoverable amount. If the recoverable amount of a specific intangible asset cannot be determined, then the asset must be assigned to the smallest independent cash-flow-generating unit (CGU), and it is by reference to the latter that the recoverable value is estimated and compared with the book value, to establish the possible impairment loss.

Derecognition criteria

Intangible assets are derecognised when they are sold or when no future economic benefits are expected from their use.

9 - Current and deferred tax

Current and deferred income taxes, calculated in accordance with the applicable domestic regulations, is recorded in the Income Statement, except in the case of items directly charged or credited to shareholders' equity. Tax provisions are calculated on a prudential basis and also include the risk provisions set aside in connection with the ongoing disputes.

Since 2004, the Bank and its Italian-based subsidiaries have decided to join the "domestic consolidated tax system", pursuant to Articles 117/129 of the TUIR. The option was renewed in June 2019 for the 2019/2021 period.

By virtue of this option, the Group companies determine their proportion of the taxes payable and the corresponding tax income (taxable income or tax loss) is transferred to the Parent Company, relating to which a single taxable income or loss is reported (resulting from the arithmetical sum of its own and its participating subsidiaries' incomes/losses) and, consequently, a single income tax debit/credit is determined.

Deferred taxation is calculated based on the tax effect of the temporary differences between the book value of the assets and liabilities and their tax value, resulting in future taxable amounts or tax deductions. For this purpose, "temporary taxable differences" means those that, in the future, will determine taxable amounts, while "temporary deductible differences" those that, in the future, will determine deductible amounts. Deferred tax assets are recorded in the financial statements insofar as they are likely to be recovered, based on the capability of the Bank, and of the other Group companies belonging to the "domestic consolidated tax system", to generate taxable income, in the future, on a regular basis.

Deferred taxation is calculated based on the applicable rates, with respect to the temporary taxable differences, with respect to which there is the likelihood of effectively incurring taxes, and the temporary deductible differences, with respect to which there is the reasonable certainty of recovering tax money back.

Deferred tax liabilities are calculated taking into account the rates expected when payment falls due.

If the deferred tax assets and liabilities relate to Income Statement items, the balancing item is represented by income tax.

When deferred tax assets and liabilities concern transactions recorded in shareholders' equity, without affecting the income statement, the directly balancing entry is recorded in shareholders' equity, in the specific reserves where provided (Valuation reserves).

Current tax assets/liabilities related to income tax for the year are recognised net of any tax paid in advance and any withholding tax incurred.
Deferred tax assets and deferred tax liabilities are recorded in the financial statements, respectively under "Tax assets" and "Tax liabilities".

10 - Provisions for risks and charges

Provisions for risks and charges against commitments and guarantees given
The sub-item of provisions for risks and charges under examination includes the provisions for credit risk recognised against commitments to lend funds and guarantees given that fall within the scope of application of the rules on impairment in accordance with IFRS 9. For these cases, in principle, the same methods of allocation between the three stages of credit risk and calculation of the expected loss shown with reference to financial assets at amortised cost or at fair value through other comprehensive income, are adopted.

Other provisions for risks and charges
The other provisions for risks and charges include the allocations relating to legal obligations or connected with employment agreements or with disputes, including those of a tax-related nature, originated from a past event for which it is likely that economic resources will be expended to comply with said obligations, provided that a reliable estimate of the related amount can be obtained.
If the time element is significant (expected outlay beyond 12 months), the allocations are discounted to the present with reference to current market rates. The allocation and any subsequent increases in the provisions due to the time factor are recognised in the income statement.
The allocated provisions are subject to periodic reviews and when it becomes unlikely that possible costs may be incurred, the allocations are fully or partly reversed to the benefit of the income statement.

11. Financial liabilities at amortised cost

Classification criteria
Due to banks, Due to customers and Securities issued include the various forms of interbank and customer funding, repurchase agreements with the obligation to repurchase forward and the funding from bonds and other funding instruments issued, net of any amounts repurchased.
This item also includes the payables recorded by the company as a lessee under leases.

Recognition criteria
The initial recognition of these financial liabilities occurs on the date the contract is signed, which normally coincides with the date of receipt of the sums collected or the date of issue of the debt securities.
Initial recognition is carried out based on the fair value of the liabilities, generally equal to the amount received or the issue price, plus any additional costs/income directly attributable to the individual funding or issue transaction. Internal administrative costs are excluded.
With regard to lease payables, the lessee, on the commencement date of the contract, recognises the payable equal to the present value of the payments due for the entire duration of the contract, discounted using marginal lending rates identified by the Group equal to the interest rate that Banca Finnat should pay for a loan, with similar duration and guarantees, necessary to obtain an asset whose value is equal to the asset consisting of the right of use in a similar economic environment.

Measurement criteria

Subsequent to initial recognition, financial liabilities are at amortised cost using the effective interest rate method. Exceptions are short-term liabilities, for which the time factor is negligible, which remain recorded at the value received. Lease payables are updated, as indicated by IFRS 16, in the presence of contractual changes due to: change in the duration of the lease; change in the guaranteed residual value, change in the exercise of the purchase option, recalculation of fixed or variable payments.

Derecognition criteria

Financial liabilities are derecognised when they expire or are extinguished. Derecognition takes place also in the event of the repurchase of bonds previously issued. The difference between the book value of liabilities and the amount paid to purchase them is posted in the Income Statement.

The replacement on the market of treasury shares after they have been repurchased is considered tantamount to a new issue, with the entry of the new placement price.

12. Financial liabilities held for trading

Classification criteria

This item includes financial liabilities, regardless of their technical form, classified in the trading portfolio.

In particular, this category of liabilities includes trading derivatives with a negative fair value as well as embedded derivatives with a negative fair value that are present in complex contracts - where the primary contract is a financial liability - but not strictly related to them. Liabilities that originate from uncovered short positions generated by securities trading are also included.

Recognition criteria

These liabilities are recognised at the subscription or issue date at a value equal to the fair value of the instrument, without considering any directly attributable transaction cost or income.

Measurement criteria

All trading liabilities are measured at fair value with the result of the measurement recognised in the income statement.

Derecognition criteria

Financial liabilities held for trading are derecognised from the financial statements when the contractual rights to the corresponding cash flows expire or when the financial liability is sold substantially transferring all related risks and benefits. The resulting difference is recorded in the income statement.

14 - Foreign-currency transactions

Foreign-currency transactions are recorded in Euro, at their initial recognition, applying the spot exchange rate in force at the date of the transaction.

When preparing the financial statements, items in foreign currencies are recorded as follows:

- in the case of monetary instruments, at the spot exchange rate on the date of preparation of the financial statements, with foreign exchange differences recorded in the income statement under the item "Profit (losses) on trading";
- in the case of non-monetary instruments, they are measured at historical cost, at the exchange rate in force at the time of the original transaction;
- in the case of non-monetary instruments measured at fair value, at the spot exchange rate in force at the time of preparation of the financial statements.

Exchange rate differences relating to non-monetary items are recorded applying the accounting standards used for the profits and losses relating to the original instruments.

15 - Other information

1. Treasury shares

Treasury shares held are stated in the financial statements at cost, adjusting shareholders' equity by a corresponding amount. No profit or loss is recorded in the income statement in connection with the purchase, sale, issue and derecognition of instruments that represent the Bank's capital. The consideration paid or received is recognised directly in shareholders' equity.

Any marginal cost incurred for the repurchase of treasury shares is recorded as a decrease in shareholders' equity, as long as it is directly related to the capital transaction that otherwise would not have been incurred.

2. Post-employment benefits

Post-employment benefits are determined as the Bank's present obligation towards its employees, in terms of the related termination indemnity. The amount of this obligation on the date of the financial statements is estimated using actuarial methods and time-discounted using the "Projected Unit Credit Method" whereby each period of service is viewed as giving rise to an additional unit of benefit entitlement and each unit is measured separately to build up the final obligation. Once the final obligation is obtained, the Bank needs to calculate its present value, even if part of the obligation falls in the twelve-month period after the date of the financial statements. Actuarial profits/losses deriving from defined benefit plans are stated in shareholders' equity under Valuation reserves. All other components of the post-employment benefits accrued during the year are posted in the income statement under item 160. Administrative expenses: a) personnel expenses in "Termination indemnities", for the amounts paid to the INPS Treasury; "payments to external pension funds: defined contribution" for payments made to Supplementary Retirement Plans and "provisions for termination indemnities" for the adjustment of the fund present in the company.

3. Recognition of revenue and costs

Revenue

Revenues are gross flows of economic benefits deriving from the carrying on of the normal company business, when such flows determine increases in shareholders' equity other than the increases deriving from the contribution of shareholders. Revenues are recognised on an accrual basis.

In particular, fee and commission income and other income from services are recognised in the financial statements only if all the following criteria are met:

1) identifying the contract with a customer;
2) identifying the performance obligations;
3) determining the transaction price;
4) allocating the transaction price to the performance obligations;
5) recognising revenue when (or as) the entity satisfies a performance obligation.

Revenues configured as variable considerations are recognised in the income statement if they can be reliably estimated and only if it is highly probable that this consideration must not be reversed from the income statement in future periods in whole or in a significant part.

In the event of a strong prevalence of uncertainty factors related to the nature of the consideration, it will be recognised only when this uncertainty is resolved. Factors that could increase the likelihood and extent of the downward adjustment of revenue include, among other things, the following:

a. the amount of the consideration is very sensitive to factors beyond the control of the entity (e.g.: market volatility);

b. experience with the type of contract is limited;
c. it is the practice to offer a wide range of price concessions or to change the terms and conditions of payment of similar contracts in similar circumstances;
d. the contract has a large number and a wide range of possible amounts of remuneration.

The consideration for the contract, the collection of which must be probable, is allocated to the individual obligations arising from the contract. The allocation must be based on the selling prices that would have been applied in a transaction involving the individual contractual commitment (standalone selling price). The best indication of the standalone selling price is the price of the good or service that can be observed when the Bank sells the good or service separately in similar circumstances and to similar customers. If the standalone selling price is not directly observable, it must be estimated.

In the event that the customer obtains a discount for the purchase of a bundle of goods or services, the discount must be allocated between all the performance obligations provided for in the contract; the discount can be attributed to one or more obligations if all of the following criteria are met:

a. the entity normally sells separately each distinct good or service;
b. the entity normally also sells separately the bundle(s) of some of the distinct goods or services, giving a discount on the standalone selling prices of the goods or services of each bundle, and the discount is substantially the same discount provided for in the contract.

Revenue is recognised over time when the goods or services have been transferred (satisfaction of performance obligations); an asset is transferred when the customer has control of the asset, i.e. when it can use the goods or service directly and obtain all the benefits. Depending on the timing of the satisfaction of the performance obligations, the revenue can be recognised:

- when control is passed at a certain point in time; factors that may indicate the point in time at which control passes include:
    - the entity has a present right to payment for the asset;
    - the customer has legal title to the asset;
    - the entity has transferred physical possession of the asset;
    - the customer has the significant risks and benefits related to the ownership of the asset;
    - the customer has accepted the asset.
- or, alternatively, over the time provided for the satisfaction of the performance obligations, if one of the following criteria is met:
    - the customer simultaneously receives and consumes all of the benefits provided by the entity as the entity performs;
    - the entity's performance creates or enhances an asset that the customer controls or from which it can derive all the benefits (potential cash flows);
    - the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

Interests are recognised on an accrual basis that considers the effective yield of the asset.

The positive economic components accrued on financial liabilities are recognised under the item "Interest income and similar income".

Default interests are recorded under the item "Interest income and similar income" when they are actually collected.

Dividends are recorded in the accounts in accordance with the shareholders' right to receive payment.

Revenue is recognised over time when the goods or services have been transferred (satisfaction of performance obligations): an asset is transferred when the customer has control of the asset, i.e. when it can use the goods or service directly and obtain all the benefits.

The disclosure required by IFRS 15 (Revenue from Contracts with Customers).

Nature of the services

A description of the main businesses from which the Bank generates its revenue from contracts with customers, distinguished by business area, is provided below.

Private banking and Banking Services

The main services provided to the private customers of the Bank by the private bankers of the Sales Department include the revenue deriving from agreements for individual portfolio management, trading, trading with consultancy services, placement, and all agreements associated with a current account relationship (cash services, payments, money management, debit cards, credit card loans, home banking, etc.). All performance obligations are defined by formalised agreements. If the agreements include the performance of distinct services, the revenue pertaining thereto is:

- recorded separately on the basis of standalone sale prices defined contractually (as in the case of fees for services of individual portfolio management, trading and order execution on financial instruments, placement and of fees for the transmission of documents, reports and communications);
- recorded on the basis of the mandatory service performed if the services cannot be separated within the context of the agreement because one is the input of the other (as in the case of the combination of the consultancy and securities custody services) or because they are interdependent, not separable and not sold individually (as in the case of banking services associated with a current account).

Depending on the way the services are performed, revenue is recorded punctually (e.g. in the case of fees for trading, collection and payment, subscription) or, in case of services performed over time, based on the value that the services completed until the considered date have for the customer, corresponding to the amount provided by the agreement.

Individual portfolio management agreements provide for the debiting (with annual or less than annual periodicity) of variable overperformance amount with respect to reference parameters. The determination of these fees depends on the result achieved at the end of the reference period, which cannot be estimated on the occasion of the quarterly measurements, since it is not highly probable that when, subsequently, the uncertainty associated with the variable consideration is resolved, there will be no significant downwards adjustment of the amount of the recorded cumulated revenue; these fees are affected by external factors with respect to the management activity of the bank (such as market volatility and the performance of the reference parameter).

The revenue accounting procedures adopted before the entry into force of the provisions of IFRS 15 are in line with those described, except that for the types of trading agreements that prescribe free fees for the execution of orders on financial instruments in view of the application of fees for the consultancy and custody services proportionate to the assets under administration; for these agreements, the amount of the fees is allocated, for accounting purposes, among the obligations prescribed by the agreement, attributing to the custody and administration service an amount equal to the standalone sale price of the service and to the trading service the residual amount.

Institutional customers

The main services provided by the Institutional Customers Organisational Unit of the Bank includes: the asset management services performed by appointment by UCIs, the management and trading services directed to corporate customers and to qualified counterparties, the services directed to listed issuers (specialist operator services, qualified operator, analyst coverage, centralised management, etc.).

All performance obligations are defined by formalised agreements. Management and trading services are recognised according to the same rules envisaged for private customers.

Services directed to listed issuers are carried out over time, because customers benefit from the activity carried out continuously and they are consequently recognised based on the value for customers of the services transferred until the date considered on the basis of the amount the Bank is entitled to receive.

Centralised management services can be sold on the basis of individual modules or as packages; in this case, the value of the service provided consists of the single fee envisaged for the different services included in the package and any discount with respect to the acquisition of the individual services is allocated proportionately among the different mandatory services performed. If the agreements include services whose revenue is recognised punctually at the time of execution, the portion referred to these services is recorded at the time of performance or, if the services were not performed within the reference period of the agreement, at its periodic expiration.
The revenue recognition methods that were adopted before the entry into force of the provisions of IFRS 15 are substantially in line with those described above.

Advisory and Corporate Finance
"Consultancy services on financial structure", rendered to corporate customers by the Advisory & Corporate Finance Organisational Unit, to provide assistance to customers in major corporate finance matters (mergers & acquisitions, listings and IPOs, company appraisals, industrial and financial restructuring, project financing, strategic consultancy), are defined by formalised agreements. Depending on the type of assistance provided, the agreement may entail the performance of different activities, which, however, are necessary inputs for the achievement of the objective provided for by the agreement and therefore are inseparable and included in a single mandatory service. This service is considered completed over time regardless of the envisaged invoicing timelines because: the customer benefits from the assistance service rendered by the Bank on a continuous basis; performance of the activity does not present an alternative use for the Bank, being carried out exclusively for the Customer according to his specific characteristics and requirements; any adaptation of the activities performed for another use is subject to practical limitations because the specifications of the activities carried out are unique for that Customer; throughout the duration of the agreement, the Bank is entitled to require payment of the service completed up to the date considered even if the agreement is terminated by the Customer for reasons other than the Bank's failure to perform. However, if the assistance agreement requires releasing the declaration of appropriateness for the purposes of listing, the connected fees are recognised punctually because the Customer receives the benefits deriving from fulfilling the obligation to obtain listing on the market only on the release date.
Any success or performance fees are instead recognised only in case of formalisation of the transactions and when the conditions underlying their ascertainment are met; these are variable fees which the Bank cannot determine in a highly probable manner before the "resolution of the uncertainty" associated with the fees themselves, being conditioned by factors on which the Bank has no control (such as actions performed by third parties: customers, investors, lenders).
The quantitative information is provided:

- in part B - Information on the statement of financial position in section 4 - Financial assets at amortised cost, quantitative information is provided about the assets/liabilities from contracts with customers not debited in the current accounts on the basis of a breakdown by type of service;
- in part C - Information on the income statement in section 2 - Fees and commissions, quantitative information is provided about revenue from contracts with customers on the basis of a breakdown by type of service;
- in part L of the Consolidated Financial Statements - Segment Reporting, quantitative information is provided about revenue from contracts with customers distinguished by the business sectors of the Group represented on the basis of a breakdown by type of service and of a breakdown by assessment procedure.

Costs
Costs are recognised when they are incurred in compliance with the criterion of correlation between costs and revenues that derive directly and jointly from the same transactions or events. Costs (including impairment losses) that cannot be related to revenues are immediately recognised in the Income Statement.
Costs directly attributable to financial instruments at amortised cost and determinable from the start, regardless of the moment when they are paid, are included in the Income Statement by applying the effective interest rate.
Interests are recognised on an accrual basis that considers the effective yield of the asset.

Negative income components accrued on financial assets are recognised in the item "Interest expense and similar expense", item that also includes interest expense on lease payables (while interest income and similar income include interest from subleases).
Rents payable for property leases, company vehicles and other assets falling within the scope of IFRS 16 are not recognised under Administrative expenses (as was the case under the previous IAS 17); against the recognition of the rights of use deriving from lease agreements, impairment losses are recorded due to the depreciation of the right of use calculated on a straight-line basis according to the duration of the contract or the useful life of the right itself, while, against the recognition of the payable for the fees due for the rights of use, accrued interest expense is recorded.
Administrative expenses (Personnel expenses and Other administrative expenses) include short-term lease payments and low-value lease payments as well as variable payments for lease payments not included in the valuation of lease payables and the VAT component, if non-deductible.
"Sundry expenses" also include the depreciation of leasehold improvements acquired through leases classified as "Other assets".

4. Classification of financial assets

The classification of financial assets in the three categories envisaged by IFRS 9 depends both on the business model with which the financial instruments are managed and on the contractual characteristics of the cash flows of the financial assets (or SPPI Test). The combination of these two elements results in the classification of financial assets as follows:

- Financial assets at amortised cost: assets that pass the SPPI test and fall within the Held to Collect (HTC) business model;
- Financial assets at fair value through other comprehensive income (FVOCI): assets that pass the SPPI test and fall within the Held to Collect and Sell (HTCS) business model;
- Financial assets at fair value through profit or loss (FVTPL): it is a residual category that includes financial instruments that cannot be classified in the previous categories based on the results of the business model test or the test on the characteristics of the contractual flows (SPPI test not passed).

SPPI test

The Standard requires financial assets to be classified also on the basis of the characteristics of the contractual cash flows. The SPPI test requires the determination of whether the contractual cash flows consist of Solely Payments of Principal and Interest on the principal amount outstanding (IFRS 9 - B4.1.7).
Contractual cash flows may be consistent with the definition of a "basic lending arrangement" even if the credit risk will be offset. Moreover, the interest rate can also include an additional fee that takes into account other risks such as liquidity risk or administrative costs. The possibility of obtaining a profit margin is also consistent with the definition of "basic lending arrangement" (IFRS 9 - B4.1.7A).
Contractual features that introduce an exposure to risks or volatility unrelated to the "basic lending arrangement", such as exposure to changes in equity prices or commodity prices, do not meet the definition of Solely Payments of Principal and Interest on the principal amount outstanding.
Therefore, the SPPI test is aimed at identifying all the contractual characteristics that may show payments other than those relating to the principal and interest accrued on the principal amount outstanding.
Only if the test is successful can the instrument be accounted for, depending on the business model identified, at amortised cost or at Fair Value through OCI.
The test will only be necessary if the adopted business model is "Collect" or "Collect and Sell". Conversely, if the instrument is managed according to the residual business model, the instrument will be accounted for at fair value regardless of the characteristics of the contractual cash flows.

Business model

The business model represents the way in which the Bank manages its financial assets, i.e. with which it intends to realise the cash flows of debt instruments. It reflects the way in which groups of financial assets are collectively managed to pursue a particular business objective and does not depend on management's intentions with respect to a single instrument but is set at a higher level of aggregation.
The definition of the Group's business model takes into consideration all the useful elements that emerge both from the strategic objectives defined by the Bank's top management and from elements relating to the organisational structure of the structures proposed for the management of assets and the methods for defining the budget and evaluating their performance. The method of management is defined by the top management through the appropriate involvement of the business structures. The business model does not depend on the intentions of the management with respect to a single instrument, but rather refers to the way in which homogeneous portfolios are managed in order to achieve a given objective.
The business model is defined on the basis of several elements, such as (IFRS 9 - B4.1.2B):

- How the performance of the business model and the financial assets held within that business model are assessed and reported to the entity's key executives;
- The risks that affect the performance of the business model and the ways those risks are managed;
- How managers of the business are remunerated - e.g. whether the remuneration is based on the fair value of the assets managed or on the cash flows collected.

The drivers used to assess the performance of the various business models identified and the type of reporting produced are elements to be considered for the correct attribution of the business model. In particular, performance and reporting could be based on information on fair value or interest received, depending on the purpose for which the assets are held.
Adequate monitoring, escalation and reporting is essential to ensure proper management of risks that may affect portfolio performance.
The possible business models set out in the Standard are as follows:

- "Hold to Collect": requires the realisation of contractually envisaged cash flows. This business model is attributable to assets that will presumably be held until their natural maturity (IFRS 9 - B4.1.2C).
- "Collect and Sell": envisages the realisation of cash flows as provided for in the contract or through the sale of the instrument. This business model is attributable to assets that may be held to maturity, but also sold (IFRS 9 - B4.1.4).
- "Sell": this model is directed at realising cash flows by selling the instrument. This business model is attributable to assets managed with the objective of realising cash flows through sale - known as "trading" - (IFRS 9 - B4.1.5).

The measurement of the business model to be attributed to the portfolios is carried out on the basis of the scenarios that could reasonably occur (IFRS 9 B4.1.2A), considering all relevant and objective information available at the measurement date.
In the event that the cash flows are realised in a way that is different from initial expectations considered in the definition of the business model, this realisation will not:

- change the classification of the remaining assets held in that business model;
- give rise to a prior-period error in the entity's financial statements.

However, information on how the cash flows of the target portfolio were realised in the past, together with other relevant information, will necessarily have to be taken into account prospectively when classifying the subsequent purchase/recognition of a new asset in the financial statements. The business model must be attributed at the level of the portfolio, sub-portfolio or individual instrument, where these best reflect the way assets are managed. (IFRS 9 - B4.1.2).

5. Manner of determination of the amortised cost

The amortised cost of a financial asset or a financial liability is in general the amount at which the financial asset or financial liability is measured at initial recognition minus principal reimbursements, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any impairment loss.
The effective interest rate is the rate that equalises the present value of future contractual cash payments or receipts until the expiry or the following recalculation date of the price to the net carrying amount of the financial asset or financial liability. In order to calculate the present value, the effective interest rate is applied to the flow of future receipts or payments estimated during the useful life of the financial asset or liability - or a shorter period in the presence of certain conditions (for example, the review of market rates).
If it is not possible to estimate reliably the cash flows or the expected life, the Bank uses the expected contractual cash flows for all the period of validity of the contract.
Subsequent to initial recognition, the amortised cost allows to allocate revenues and costs deducted from or summed to the instruments during its expected life through amortisation. The method of determination of the amortised cost depends on whether the measured financial assets/liabilities have a fixed or variable rate.
For fixed-rate instruments, future cash flows are quantified based on the interest rate known during the life of the loan. For variable-rate financial assets/liabilities, whose variability is not known a priori (because, for example, linked to an index), cash flows are determined by maintaining constant the last variable rate recorded. At each date of review of the rate, the redemption plan and the effective interest rate are recalculated over the entire useful life of the instrument, i.e. until the date of expiry.
Measurement at amortised cost is carried out for financial assets and liabilities at amortised cost (due from/to banks and loans/due to customers) and for financial assets at fair value through other comprehensive income. For the latter, the amortised cost is calculated for the sole purpose of recognising in the income statement the interests based on the effective interest rate; the difference between the fair value and the amortised cost is recorded in a specific shareholders' equity reserve.

6. Methods for determining impairment losses

IFRS 9 envisages a model for determining prospectively impairment losses, which requires the immediate recognition of losses on receivables even if only expected, contrary to IAS 39 that requires for their recognition the examination of past events and current conditions.
At the end of each reporting period, in accordance with IFRS 9, financial assets other than those at fair value through profit or loss are measured to determine whether there is any evidence that the book value of the assets may not be fully recoverable. A similar analysis is also carried out for commitments to lend funds and guarantees given that fall within the scope of impairment pursuant to IFRS 9.
In the event that such evidence exists (known as "impairment evidence"), the financial assets in question - consistently, where existing, with all the remaining assets pertaining to the same counterparty - are considered impaired and are included in stage 3. Against these exposures, represented by financial assets classified - in accordance with the provisions of Bank of Italy's Circular no. 262/2005 - in the categories of bad loans, unlikely to pay and past due by more than ninety days, impairment losses equal to the full lifetime expected credit loss must be recognised.
For financial assets for which there is no evidence of impairment (performing financial instruments), it is necessary, instead, to check whether there are indicators such that the credit risk of the individual transaction is significantly increased compared to the time of initial recognition. The consequences of this check from the point of view of classification (or, more properly, staging) and measurement, are as follows:

- where such indicators exist, the financial asset is included in stage 2. in this case, the measurement, in accordance with the international accounting standards and even in the absence of an evident impairment, envisages the recognition of impairment losses equal to the full lifetime expected credit loss of the financial instrument. These adjustments are reviewed at the end of each subsequent reporting period both to periodically check their consistency with the constantly updated loss estimates and to take into account - in the event that the indicators of a "significantly increased" credit risk are no longer available - the changed forecast period for calculating the expected loss;

- where such indicators do not exist, the financial asset is included in stage 1. in this case, the measurement, in accordance with the international accounting standards and even in the absence of an evident impairment, envisages the recognition of 12-month expected credit losses for the specific financial instrument. These adjustments are reviewed at each subsequent reporting date both to periodically check their consistency with the constantly updated loss estimates and to take into account - in case of indicators of a "significantly increased" credit risk - the changed forecast period for calculating the expected loss.

With regard to the measurement of financial assets and, in particular, the identification of the "significant increase" in credit risk (a necessary and sufficient condition for the classification of the asset being measured in stage 2), the elements that - pursuant to the standard and its operational breakdown carried out by Banca Finnat Euramerica - constitute the main determinants to be taken into consideration are as follows:

- Quantitative criteria:
    a. if the counterparty's rating deteriorates by at least three classes compared to the value at the date of origin;
    b. for exposures backed by collateral, where there is a 50% decrease in the value of the collateral compared with its value at the date of origin;
    c. exposures with a past due date of more than 30 days (even partial) recognised at the report date in the monthly survey (or in the previous 5 monthly surveys) regardless of the counterparty and without tolerance thresholds;
    d. on-demand loans with both of the following irregular trends:
        1. presence of operating tension: average percentage of use of the credit line granted, calculated over the last 180 days, of more than 80%;
        2. absence of changes in assets in the last 180 days.
- Qualitative criteria:
    a. forborne performing exposures in relation to a financial difficulty of the debtor;
    b. exposures with irregular trends monitored by the Credits Committee of the Bank;
    c. exposures to counterparties for which prejudicial information has been acquired. This requirement is to be considered valid also for prejudicial information relating to the guarantors.

A financial asset is considered non-performing and allocated to Stage 3 if one or more events that have a negative effect on expected cash flows occurred. In particular, the observable data relating to the following events constitute evidence of impairment of the financial asset:

- significant financial difficulties of the debtor (also based on the financial statement analysis such as, for example, negative changes in the debt ratio and in the capacity to cover financial expenses);
- breach of contractual clauses (such as a default or past-due event of more than 90 days);
- classification in category "D - Defaulted" within the CSE outsourcing rating model;
- a lender having granted a concession to the debtor - for economic or contractual reasons relating to the debtor's financial difficulty - that the lender would not otherwise consider;
- disappearance of an active market for that financial asset because of financial difficulties;
- the purchase or issue of a financial asset at a deep discount that reflects the incurred credit losses;
- the debtor is likely to declare bankruptcy or be subject to another financial reorganisation.

A performing financial asset at the time of initial recognition and for which one or more of the above events occur must be considered non-performing and placed in Stage 3; the allocation in this bucket envisages that:

- the allowance for doubtful receivables is determined as an amount equal to full lifetime expected credit losses of the financial asset;

- interest income is calculated based on the amortised cost i.e. gross book value less the allowance for doubtful receivables;
- the time value is determined, and the expected date of collection is estimated.

For these financial assets, the method for determining the loss is calculated in accordance with IFRS 9 and in line with the provisions of the credit regulations.
Once the allocation of exposures to the various stages of credit risk has been defined, the determination of expected credit losses (ECL) is carried out, at the level of individual transactions or security tranche, starting from the IRB/management approach, based on the parameters of Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD), on which appropriate corrective action is taken to ensure compliance with the requirements of IFRS 9.
The determination of the values and calculation methods are detailed in the Group Policy.

7. Assets/liabilities designated at fair value
The Bank did not use the fair value option referred to in IFRS 9: therefore, the relevant asset and liability items in the statement of financial position and income statement are not shown in the financial statements as they are not measured.

A.3 - Information on transfers between portfolios of financial assets

According to the general rules envisaged by IFRS 9 on the reclassification of financial assets (with the exception of equities, for which no reclassification is permitted), reclassifications to other categories of financial assets are not permitted unless the entity modifies its business model for the management of financial assets. However, such cases are expected to be highly infrequent.

A.3.1 - A.3.2 - A.3.3 - No transfers were made between portfolios of financial assets during the year due to a change in the business model.

A.4 Information on fair value

A.4.1 - Levels 2 and 3 of fair value: valuation techniques and inputs used

A.4.2 - Processes and sensitivity of measurements

The techniques, valuation processes of the financial instruments and the methods for determining the fair value used by the Bank are shown below.
The fair value of financial instruments is determined based on the prices acquired by the financial markets, in the case of instruments listed on active markets (Level 1), or on internal valuation models, in the case of all other financial instruments.
If the instrument is not listed on an active market, or if there is no regularly functioning market, i.e. the market does not feature a sufficient and ongoing number of transactions, bid-ask spread and a volatility that is not sufficiently curbed, the fair value of the financial instruments is generally determined based on the use of valuation techniques the purpose of which is to establish the price of a hypothetical independent transaction, motivated by normal market consideration, at the date of valuation.
Regarding the valuation techniques, the following are taken into account:

- if available, the prices of recent transactions involving similar instruments, suitably adjusted to reflect the changed market conditions and the technical differences between the valued instrument and the instrument selected as similar in nature (comparable approach);
- valuation models widely used by the financial community, which have proved over the years capable of producing reliable estimates of prices, with respect to the current market conditions (Mark-to-Model).

Financial instruments classified as Level 1 instruments include:

- stocks and bonds listed on active markets. The principal 'price source' of securities listed on regulated markets is the relevant stock exchange, and generally corresponds to the price published by the regulated market on which the security is negotiated. For financial instruments listed on the Italian Stock Exchange, the value is determined using the posted price;
- UCIs with official prices expressed by an active market; open-ended UCIs (including ETF) for which a price listed on an active market is available at the measurement date;
- foreign exchange spot transactions;
- derivatives for which prices are available on an active market (e.g., futures and options).

Lacking prices on an active market, the fair value of financial instruments is calculated according to the "comparable approach" (Level 2), based on the use of valuation models making use of parameters that can be directly observed on the market. In this case, the valuation is not based on the prices of the actual financial instruments being valued, but on prices or credit spreads taken from the official listings of substantially similar instruments, in terms of risk-yield factors, using a certain calculation method (pricing model). This approach translates into the search for transactions on the active markets involving instruments that, in terms of their risk factors, are comparable with the valued instrument. Following is an overview of the valuation techniques used:

- the use of current market prices of other substantially similar instruments, if they are deemed to be highly comparable (based on the country and sector to which they belong, along with their rating, maturity and degree of seniority of the securities), such as to avoid any substantial alteration of the prices or the use of trading prices - with respect to the same financial instrument - concerning market transactions between independent counterparties;
- the use of prices of similar instruments, in terms of their calibration;
- discounted cash flow models;
- option pricing models.

Financial instruments classified as Level 2 instruments include:

- UCIs for which prices recorded in an inactive market whose values are deemed to be representative of fair value are available. If these prices are based on the NAV, this value, if available at the measurement date, may be taken into consideration for fair value purposes;
- bonds that are not traded on an active market, but which can be priced based on the prices of comparable securities, as inputs for a valuation model. The fair value of bonds without official prices expressed by an active market is calculated by using an appropriate credit spread, determined based on liquid financial instruments with similar features. Moreover, in the case of market transactions - concerning the same financial instrument - between independent counterparties account will be taken of the known trading price;
- OTC derivatives valued based on observable parameters and market models. Interest rate, exchange, share, inflation and commodity derivatives - if they are not traded on regulated markets - are known as Over the counter (OTC) instruments, i.e. instruments that are bilaterally negotiated with market counterparties, and their valuation is conducted based on specific pricing models, fed by inputs (such as rate, exchange and volatility curves) observed on the market.

Lastly, the determination of the fair value of certain types of financial instruments is based on valuation models that require the use of parameters that cannot be directly observed on the market and which, therefore, require estimates and assumptions by the valuer (Level 3).
Financial instruments classified as Level 3 instruments include:

- unlisted equities. Equity investments held at cost are also conventionally included among the Level 3 instruments;
- UCIs lacking prices expressed by a market (active and inactive) and similar listed securities. This category includes the open-ended UCIs whose last measured NAV is not reported near the measurement date and the closed-ended UCIs whose fair value is derived exclusively on the basis of the NAV. For these UCIs, the NAV used for measurement must prudentially be rectified to take into account any risk of not being able to carry out a transaction unless it is at prices that are significantly lower than the value of the assets represented by the NAV;
- bonds not listed on active markets, for which there are no comparable instruments, or which require the use of significant assumptions, such as the knowledge of trading prices between independent counterparties;
- OTC derivatives valued using non-market models, or market models based on parameters that cannot be observed on the market.

Level 3 instruments also include financial instruments priced by the Bank based on internal valuation models using inputs that cannot be observed on the market and personal assumptions made by the valuer.

A.4.3 - Fair value hierarchy

With the introduction of IFRS 13, the rules for measuring the fair value previously included in different accounting principles were set out in a single document.
The fair value is defined as the price that is received for the sale of an asset or that would be paid for the transfer of a liability in an orderly transaction between market participants at the measurement date.

When measuring the fair value of a financial instrument, IFRS 13 refers to the concept of hierarchy of the measurement criteria used, which was at the time introduced by an amendment to IFRS 7 that required the company to classify the measurements based on a hierarchy of levels that reflects the significance of the inputs used in the measurement of financial instruments.

This classification aims to establish a hierarchy in terms of reliability of fair value depending on the degree of discretion applied by enterprises, giving priority to the use of parameters observable on the market reflecting the assumptions that market participants would use when pricing the asset/liability.

IFRS 13 identifies three different input levels:

- Level 1: inputs represented by (unadjusted) quoted prices in active markets - as defined by IFRS 13 - for assets and liabilities subject to measurement;
- Level 2: inputs other than quoted market prices set forth above, which are observable for the asset or liability, either directly (prices) or indirectly (derived from prices);
- Level 3: inputs that are unobservable inputs for the asset or liability subject to measurement.

The choice between these types is not optional but must be done in a hierarchical order since priority is given to official prices on active markets (level 1); in the absence of such inputs, we use valuation techniques based on parameters that cannot be observed on the market (level 2); with a lower and more discretionary priority, the fair value of assets and liabilities calculated with valuation techniques based on parameters that cannot be observed on the market (level 3).

The valuation method and as a result transfers among the levels of the fair value hierarchy of a financial instrument are altered only if there are significant changes in the market or subjective conditions of the issuer of the financial instrument.
IFRS 13 contemplates that, as already indicated by IFRS 7, the instruments at amortised cost are provided with fair value disclosure.
Within the Bank, the following approaches were identified for calculating the fair value:

Assets at amortised cost
For financial assets recognised in the financial statements at amortised cost, classified in the accounting category of "Financial assets at amortised cost" (due from banks and loans to customers) in particular:

- for medium/long-term performing loans (mainly mortgages and leases), the fair value is determined on the basis of cash flows, suitably adjusted for expected losses, on the basis of the PD and LGD parameters. These cash flows are discounted on the basis of a market interest rate adjusted to take account of a premium deemed to express risks and uncertainties;
- for "non-performing" loans (bad loans, unlikely to pay, past due), the fair value is assumed to be equal to the net book value. In this regard, it should be noted that the market for non-performing loans is characterised by a significant illiquidity and a high dispersion of prices according to the specific characteristics of the loans. The absence of observable parameters that could be used as a reference for measuring the fair value of exposures comparable to those being measured could therefore lead to a wide range of possible fair values; for this reason, for the purposes of financial reporting, the fair value of non-performing loans is shown as the book value;

- for debt securities classified in the "Due from banks or Loans to customers" portfolio or "Securities issued" portfolio, the fair value was determined by using prices obtained on active markets or by using valuation models, as described in the previous paragraph "Fair value levels 2 and 3: valuation techniques and inputs used";
- the fair value of loans to customers and due from banks with undefined contractual expiry, in that they are on demand, is represented by the nominal value of the receivables net of the risk component represented by the calculated probability of default, in accordance with what was previously defined.

Due to banks and customers
They are entered at their nominal value that is usually equal to the amount received initially by the Bank. This value can be reasonably approximated to the fair value in that the Bank can meet its payables thanks to high capital instruments.

Securities issued
The item pertains to bonds issued by the Bank and entered at amortised cost. The fair value is calculated by using a model that considers the loan indexation parameter and a target spread.

A.4.4 Other information

The Bank does not use the exception on the compensating valuation of groups of financial assets and liabilities referred to in paragraph 48 of the IFRS 13.

Quantitative information

A.4.5 - Fair value hierarchy

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

Assets/liabilities measured at fair value	31/12/2020			31/12/2019		
	L1	L2	L3	L1	L2	L3
1. Financial assets at fair value through profit or loss	2,021	23,994	1,213	52,555	24,724	1,345
a) financial assets held for trading	2,021	4,826	-	52,555	5,141	-
b) financial assets designated at fair value	-	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	-	19,168	1,213	-	19,583	1,345
2. Financial assets at fair value through other comprehensive income	328,624	-	11,942	354,301	-	11,097
3. Hedging derivatives	-	-	-	-	-	-
4. Property and equipment	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	330,645	23,994	13,155	406,856	24,724	12,442
1. Financial liabilities held for trading	-	40	-	-	152	-
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
Total	-	40	-	-	152	-

Key:
L1 = Level 1; L2 = Level 2; L3 = Level 3

It should be noted that the Bank also recognises equity investments in subsidiaries at fair value, which are classified as level 3 of the fair value hierarchy. For information on the valuation methods adopted, please refer to the Accounting Policies.

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

	Financial assets at fair value through profit or loss				Financial assets at fair value through other comprehensive income	Hedging derivatives	Property and equipment	Intangible assets
	Total	Of which: a) Financial assets held for trading	Of which: b) Financial assets designated at fair value	Of which: c) Other financial assets mandatorily measured at fair value				
1. Initial amount	1,345	-	-	1,345	11,097	-	-	-
2. Increases	3	-	-	3	1,023	-	-	-
2.1. Purchases	3	-	-	3	-	-	-	-
2.2. Gains recognised in:	-	-	-	-	1,023	-	-	-
2.2.1. Income Statement	-	-	-	-	-	-	-	-
- of which capital gains	-	-	-	-	-	-	-	-
2.2.2. Shareholders' equity	-	X	X	X	1,023	-	-	-
2.3. Transfer from other levels	-	-	-	-	-	-	-	-
2.4. Other increases	-	-	-	-	-	-	-	-
3. Decreases	135	-	-	135	178	-	-	-
3.1. Sales	-	-	-	-	-	-	-	-
3.2. Reimbursements	-	-	-	-	128	-	-	-
3.3. Losses recognised in:	135	-	-	135	50	-	-	-
3.3.1. Income Statement	135	-	-	135	-	-	-	-
- of which capital losses	135	-	-	135	-	-	-	-
3.3.2. Shareholders' equity	-	X	X	X	50	-	-	-
3.4. Transfers to other levels	-	-	-	-	-	-	-	-
3.5. Other decreases	-	-	-	-	-	-	-	-
4. Final amount	1,213	-	-	1,213	11,942	-	-	-

Item 2.2.2. Gains recognised in Shareholders' equity of Financial assets at fair value through other comprehensive income amounting to 1,023 thousand euros concerns the valuation of Real Estate Roma Olgiata shares for 45 thousand euros and Fedeuram Investimenti's shares for 978 thousand euros.

Item 3.2. Reimbursements of 128 thousand euros relate to the Real Estate Roma Olgiata's shares and relate to the partial repayment of a capital payment.

Item 3.3.1. Losses recognised in: Income Statement concerns, for the Assets mandatorily at fair value, the capital loss recorded on the Apple Fund for 117 thousand euros and on the Carige shares held through the FITD Voluntary Scheme for 18 thousand euros.

Item 3.3.2. Losses recognised in: Shareholders' equity of 50 thousand euros relates to the write-down of the CSE shares.

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

At the reporting date under review, the item in question has no balances.

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

Assets/Liabilities not measured at fair value or measured at fair value on a non-recurring basis	31/12/2020				31/12/2019			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets at amortised cost	1,339,991	863,624	-	498,538	1,499,680	1,000,760	-	521,075
2. Investment property	-	-	-	-	-	-	-	-
3. Non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-	-
Total	1,339,991	863,624	-	498,538	1,499,680	1,000,760	-	521,075
1. Financial liabilities at amortised cost	1,557,962	-	-	1,557,962	1,815,922	-	-	1,815,855
2. Liabilities associated to discontinued operations	-	-	-	-	-	-	-	-
Total	1,557,962	-	-	1,557,962	1,815,922	-	-	1,815,855

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

The Bank has never carried out fair value measurements on a non-recurring basis for assets and liabilities.

A.5 Report on the so-called "day one profit/loss"

The Bank did not record in the financial year under review any positive/negative item arising from the initial fair value measurement of financial instruments.

Part B - Information on the statement of financial position

ASSETS

Section 1 - Cash and cash equivalents - Item 10

1.1 Cash and cash equivalents: breakdown

	Total 31/12/2020	Total 31/12/2019
a) Cash	547	541
b) Demand deposits at central banks	163	155
Total	710	696

Section 2 - Financial assets at fair value through profit or loss - Item 20

2.1 Financial assets held for trading: breakdown by product

Items/Amounts	Total 31/12/2020			Total 31/12/2019		
	L1	L2	L3	L1	L2	L3
A. Cash assets						
1. Debt securities	553	-	-	50,470	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	553	-	-	50,470	-	-
2. Equities	1,341	-	-	1,372	-	-
3. UCI units	52	4,824	-	619	5,060	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	1,946	4,824	-	52,461	5,060	-
B. Derivatives						
1. Financial derivatives	75	2	-	94	81	-
1.1 held for trading	75	2	-	94	81	-
1.2 related to the fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 held for trading	-	-	-	-	-	-
2.2 related to the fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total B	75	2	-	94	81	-
Total (A+B)	2,021	4,826	-	52,555	5,141	-

Key:
L1 = Level 1; L2 = Level 2; L3 = Level 3

The financial assets held for trading amounted to 6,847 thousand euros. The balance at 31 December 2019 amounted to 57,696 thousand euros.

Item "A.1 Debt securities" amounting to 553 thousand euros (50,470 thousand euros at 31 December 2019) consists of bonds of 549 thousand euros present in Level 1;

Item "A.3. UCI units" amounting to 4,876 thousand euros (5,679 thousand euros at 31 December 2019) includes in Level 1: New Millennium Funds of 29 thousand euros, QF Immobilium Fund of 22 thousand euros and other funds of 1 thousand euros; in Level 2: New Millennium Funds units of 4,824 thousand euros.

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

Items/Amounts	Total 31/12/2020	Total 31/12/2019
A. Cash assets		
1. Debt securities	553	50,470
a) Central Banks	-	-
b) Public administrations	4	50,084
c) Banks	13	-
d) Other financial institutions	-	-
- of which: insurance companies	-	-
e) Non financial institutions	536	386
2. Equities	1,341	1,372
a) Banks	-	-
b) Other financial institutions	363	320
- of which: insurance companies	232	230
c) Non financial institutions	978	1,052
d) Other issuers	-	-
3. UCI units	4,876	5,679
4. Loans	-	-
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial institutions	-	-
- of which: insurance companies	-	-
e) Non financial institutions	-	-
f) Households	-	-
Total A	6,770	57,521
B. Derivatives		
a) Central counterparties	-	-
b) Other	77	175
Total B	77	175
Total (A + B)	6,847	57,696

Item "UCI units" includes: 1,292 thousand euros of bond funds, 3,562 thousand euros of equity funds and 22 thousand euros of property funds.

2.5 Other financial assets mandatorily measured at fair value: breakdown by product

Items/Amounts	31/12/2020			31/12/2019		
	L1	L2	L3	L1	L2	L3
1. Debt securities	-	-	-	-	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equities	-	-	15	-	-	30
3. UCI units	-	19,168	1,198	-	19,583	1,315
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total	-	19,168	1,213	-	19,583	1,345

Key:
L1 = Level 1; L2 = Level 2; L3 = Level 3

The item Financial assets mandatorily measured at fair value amount to 20,381 thousand euros (20,928 thousand euros at 31 December 2019) and includes under equities (level 3) the Carige shares held through the Voluntary Scheme of the FITD for 12 thousand euros and the Astaldi equity financial instrument of 3 thousand euros; under the UCI units in level 2 the shares of the FIP Fund for 15,455 thousand euros, of the New Millennium funds for 2,770 thousand euros, of the Therma fund for 943 thousand euros and in level 3 shares of the Apple Fund for 1,198 thousand euros.

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

Items/Amounts	31/12/2020	31/12/2019
1. Equities	15	30
of which: banks	12	30
of which: other financial institutions	-	-
of which: non financial institutions	3	-
2. Debt securities	-	-
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial institutions	-	-
of which: insurance companies	-	-
e) Non financial institutions	-	-
3. UCI units	20,366	20,898
4. Loans	-	-
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial institutions	-	-
of which: insurance companies	-	-
e) Non financial institutions	-	-
f) Households	-	-
Total	20,381	20,928

Section 3 - Financial assets at fair value through other comprehensive income - Item 30

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

Items/Amounts	31/12/2020			31/12/2019		
	L1	L2	L3	L1	L2	L3
1. Debt securities	328,193	-	-	353,870	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	328,193	-	-	353,870	-	-
2. Equities	431	-	11,942	431	-	11,097
3. Loans	-	-	-	-	-	-
Total	328,624	-	11,942	354,301	-	11,097

Key:
L1 = Level 1; L2 = Level 2; L3 = Level 3

Financial assets at fair value through other comprehensive income totalled 340,566 thousand euros (365,398 thousand euros at 31 December 2019).

Item 1. Debt securities - Level 1 - consists mainly of Government Bonds. At 31 December 2020, total net impairment losses on credit risk on these securities amounted to 100 thousand euros. The value is recognised in item 110. Valuation reserves (after taxes) instead of as an adjustment to this item.
In the year in question, value recoveries amounting to 350 thousand euros were carried out.

Item 2. Equities include the following strategic investments:
- Level 1: Net Insurance S.p.A. (431 thousand euros including the positive valuation reserve equal to 140 thousand euros);
- Level 3: Fideuram Investimenti SGR S.p.A. (2,053 thousand euros including the positive valuation reserve equal to 978 thousand euros), SIA S.p.A. (6,250 thousand euros including the positive valuation reserve equal to 5,130 thousand euros), CSE Consorzio Servizi Bancari S.r.l. (2,457 thousand euros including the negative valuation reserve equal to 47 thousand euros), SIT S.p.A. (15 thousand euros) and Real Estate Roma Olgiata S.r.l. (1,167 thousand euros including the negative valuation reserve equal to 470 thousand euros).

For the inclusion of equities in this portfolio, the irrevocable option was exercised upon initial recognition.

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

Items/Amounts	31/12/2020	31/12/2019
1. Debt securities	328,193	353,870
a) Central Banks	-	-
b) Public administrations	286,595	314,133
c) Banks	33,600	37,531
d) Other financial institutions	7,998	-
of which: insurance companies	-	-
e) Non financial institutions	-	2,206
2. Equities	12,373	11,528
a) Banks	-	-
b) Other issuers:	12,373	11,528
- other financial institutions	2,484	1,506
of which: insurance companies	431	431
- non financial institutions	9,889	10,022
- other	-	-
3. Loans	-	-
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial institutions	-	-
of which: insurance companies	-	-
e) Non financial institutions	-	-
f) Households	-	-
Total	340,566	365,398

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

	Gross value				Total impairment losses			Total partial write-offs *
	Stage 1	of which: instruments with low credit risk	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Debt securities	328,293	-	-	-	100	-	-	-
Loans	-	-	-	-	-	-	-	-
Total 31/12/2020	328,293	-	-	-	100	-	-	-
Total 31/12/2019	352,327	-	2,088	-	542	3	-	-
of which: acquired or originated impaired financial assets	X	X	-	-	X	-	-	-

(*) Value to be reported for disclosure purposes.
The gross amount corresponds to the book value solely of Debt securities increased by the total impairment losses.

3.3a Financial assets at fair value through other comprehensive income subject to COVID-19 support measures: gross value and total impairment losses

At 31 December 2020 there were no financial assets at fair value through other comprehensive income subject to COVID-19 support measures.

Section 4 - Financial assets at amortised cost - Item 40

4.1 Financial assets at amortised cost: breakdown by product of loans and receivables with banks

Type of transactions/Amounts	Total 31/12/2020						Total 31/12/2019					
	Book value			Fair value			Book value			Fair value		
	Stage 1 and 2	Stage 3	of which: acquired or originated impaired	L1	L2	L3	Stage 1 and 2	Stage 3	of which: acquired or originated impaired	L1	L2	L3
A. Due from Central Banks	-	-	-	-	-	-	-	-	-	-	-	-
1. Time deposits	-	-	-	X	X	X	-	-	-		X	X
2. Compulsory reserve	-	-	-	X	X	X	-	-	-	X	X	X
3. Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	-	-	-	X	X	X	-	-	-	X	X	X
B. Due from banks	92,967	-	-	-	-	92,967	71,317	-	-	-	-	71,317
1. Loans	92,967	-	-	-	-	92,967	71,317	-	-	-	-	71,317
1.1. Current accounts and demand deposits	40,348	-	-	X	X	X	47,329	-	-	X	X	X
1.2. Time deposits	42,652	-	-	X	X	X	6,727	-	-	X	X	X
1.3. Other loans:	9,967	-	-	X	X	X	17,261	-	-	X	X	X
- Reverse repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
- Lease financing	-	-	-	X	X	X	-	-	-	X	X	X
- Other	9,967	-	-	X	X	X	17,261	-	-	X	X	X
2. Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
2.1. Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Other debt securities	-	-	-	-	-	-	-	-	-	-	-	-
Total	92,967	-	-	-	-	92,967	71,317	-	-	-	-	71,317

Key:
L1 = Level 1; L2 = Level 2; L3 = Level 3

The item "loans and receivables with banks" totalled 92,967 thousand euros (71,317 thousand euros at 31 December 2019).

Item B.1.2. Time deposits of 42,652 thousand euros refers to a time deposit with maturity on 4 January 2021 for 35,999 thousand euros and to the Compulsory reserve deposited by the Bank with Depobank S.p.A. for 6,653 thousand euros (both amounts after collective write-down). At 31 December 2019, the Compulsory reserve amounted to 6,727 thousand euros.

Item B.1.3 Other loans relates to guarantee margins on derivatives.

At 31 December 2020, total net impairment losses on credit risk with banks amounted to 58 thousand euros. In the year in question, net impairment losses amounting to 43 thousand euros were recognised.

4.2 Financial assets at amortised cost: breakdown by product of loans and receivables with customers

Type of transactions/Amounts	Total 31/12/2020						Total 31/12/2019					
	Book value			Fair value			Book value			Fair value		
	Stage 1 and 2	Stage 3	of which: acquired or originated impaired	L1	L2	L3	Stage 1 and 2	Stage 3	of which: acquired or originated impaired	L1	L2	L3
1. Loans	366,861	21,523	-	-	-	405,571	419,489	15,147	-	-	-	449,758
1.1. Current accounts	164,423	562	-	X	X	X	169,237	575	-	X	X	X
1.2. Reverse repurchase agreements	22,602	-	-	X	X	X	40,557	-	-	X	X	X
1.3. Mortgages	160,965	9,410	-	X	X	X	175,869	8,838	-	X	X	X
1.4. Credit card loans, personal loans and transfers of one fifth of salaries	-	-	-	X	X	X	-	-	-	X	X	X
1.5. Lease financing	-	-	-	X	X	X	-	-	-	X	X	X
1.6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
1.7. Other loans	18,871	11,551	-	X	X	X	33,826	5,734	-	X	X	X
2. Debt securities	858,640	-	-	863,624	-	-	993,727	-	-	1,000,760	-	-
2.1. Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Other debt securities	858,640	-	-	863,624	-	-	993,727	-	-	1,000,760	-	-
Total	1,225,501	21,523	-	863,624	-	405,571	1,413,216	15,147	-	1,000,760	-	449,758

Key:
L1 = Level 1; L2 = Level 2; L3 = Level 3

Loans to customers totalled 1,247,024 thousand euros (1,428,363 thousand euros at 31 December 2019).

At the reporting date of these financial statements, the items relating to current accounts, mortgages and other loans include impaired assets (Bucket 3) totalling 47,779 thousand euros (21,523 thousand euros net of the write-downs), comprising:

- bad loans totalling 34,097 thousand euros (11,518 thousand euros net of the write-downs) relating to the following positions:
  - 4,572 thousand euros (946 thousand euros net of the write-down) for the residual amount of a mortgage terminated on 8 July 2011. The transaction is secured by a first mortgage on property, the value of which - supported by a special expert appraisal report covers the entire value of the net exposure;
  - 15,249 thousand euros (3,009 thousand euros net of the write-down) relating to a receivable for a loan due from the company Bio-On. The estimate of the presumed realisable value of the receivable remained unchanged with respect to that calculated for the purposes of the 2019 financial statements.
  - 8,804 thousand euros (5,912 thousand euros net of the write-down) referring to a mortgage terminated on 24 December 2020 backed by first degree mortgage guarantees on real estate and other real guarantees that largely cover the value of the net exposure;
  - 5,472 thousand euros relating for 1,800 thousand euros to trade receivables (223 thousand euros net of the write-downs) and for 3,672 thousand euros (1,428 thousand euros net of the write-downs) and to receivables relating to cash loans.

  The line-by-line write-downs carried out therefore totalled 22,579 thousand euros (including 1,578 thousand euros referring to trade receivables), with a total coverage rate of 66%.

- unlikely to pay totalling 13,488 thousand euros (9,832 thousand euros net of the write-downs) comprising:
  - overdraft facilities amounting to 608 thousand euros (436 thousand euros net of the write-down);
  - mortgages for an amount of 12,725 thousand euros, of which 3,309 thousand euros of overdue instalments and 9,416 thousand euros of capital to mature (9,363 thousand euros net of the write-down);
  - trade receivables for 155 thousand euros (33 thousand euros net of the write-down).

  The line-by-line write-downs totalled 3,656 thousand euros (including 122 thousand euros referring to trade receivables);
- other positions expired or past due for over 90 days totalling 194 thousand euros (173 thousand euros net of the write-downs).

At 31 December 2020, the Bank had 36 "forborne" exposures of which:

- 14 non-performing positions totalling 37,105 thousand euros (18,456 thousand euros after write-downs), of which 3 positions included among bad loans of 24,194 thousand euros and 11 positions included among unlikely to pay of 12,911 thousand euros;
- 22 performing positions totalling 12,887 thousand euros.

At 31 December 2020, the Bank calculated the write-down of the portfolio for performing loans to customers in Bucket 1 and Bucket 2 relating to cash loans. This write-down amounted to 2,741 thousand euros, higher than the allocations made for this purpose through 31 December 2019 (equal to 2,299 thousand euros).

In 2020, the Bank recorded in the income statement 122 thousand euros for portfolio value recoveries on government bonds; it also recorded 5,663 thousand euros for net losses on loans to customers broken down as follows: 442 thousand euros for portfolio impairment losses, 259 thousand euros for specific value recoveries, 5,380 thousand euros for specific impairment losses, 100 thousand euros for cancellation losses.

At 31 December 2020, the allowance for doubtful loans to customers, excluding securities, totalled 28,997 thousand euros of which 26,256 thousand euros on an itemised basis and 2,741 thousand euros for portfolio impairment losses.

Item 1.7. Other loans include, in addition to non-performing financial receivables and impaired trade receivables (Bucket 3) totalling 11,551 thousand euros (already commented on as impaired assets), Deposits for margins with the Compensation and Guarantee Fund and ICE Clear Europe Ltd for 15,269 thousand euros (Bucket 1), trade receivables (Bucket 2) for 3,561 thousand euros and receivables for sub leasing for 41 thousand euros (Bucket 1).

Item 2.2 Other debt securities refers exclusively to Government Bonds. The total write-down of the portfolio amounted to 167 thousand euros after utilisation for sale of 218 thousand euros. In the year, value recoveries amounting to 122 thousand euros were carried out.

A breakdown of "Time distribution of loans to customers by residual duration" can be found under Part E Section 4 - Liquidity risk.

The following table provides the information about contracts with customers required by IFRS 15.

Assets/liabilities deriving from contracts with customers not debited in the current accounts (IFRS 15)

	Closing balances at 31/12/2020 net of impairment losses	Closing balances at 31/12/2019 net of impairment losses
Loans to customers for activities of:		
- advisory and corporate finance	2,461	2,364
- specialist	608	969
- placement	792	773
- management	1,053	365
- services to listed issuers (SEQ and equity research)	68	100
- other services	759	854
Total receivables before write-downs	5,741	5,425
Total line by line impairment losses	(1,701)	(1,774)
Total collective impairment losses	(223)	(167)
Total receivables after write-downs	3,817	3,484
Liabilities deriving from contracts with customers		
- deferred income on issued invoices	(137)	(214)

Receivables for assets deriving from contracts with customers, pursuant to the previous table are included in item 1.7. Other loans. The impairment losses on an itemised basis on said receivables at 31 December 2020 totalled 1,701 thousand euros and concern specialist activities for 96 thousand euros, advisory and corporate finance activities for 1,595 thousand euros and other services for 10 thousand euros.

The Assets recognised in view of costs to be recovered are not indicated - as required by IFRS 15 Paragraph 128 - because the amounts are small.

4.3 Financial assets at amortised cost: breakdown by debtor/issuer of loans and receivables with customers

Type of transactions/Amounts	Total 31/12/2020			Total 31/12/2019		
	Stage 1 and 2	Stage 3	of which: acquired or originated impaired assets	Stage 1 and 2	Stage 3	of which: acquired or originated impaired assets
1. Debt securities	858,640	-	-	993,727	-	-
a) Public administrations	858,640	-	-	993,727	-	-
b) Other financial institutions	-	-	-	-	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non financial institutions	-	-	-	-	-	-
2. Loans to	366,861	21,523	-	419,489	15,147	-
a) Public administrations	-	-	-	-	-	-
b) Other financial institutions	76,240	124	-	123,408	130	-
of which: insurance companies	-	-	-	-	-	-
c) Non financial institutions	147,650	18,294	-	162,326	11,095	-
d) Households	142,971	3,105	-	133,755	3,922	-
Total	1,225,501	21,523	-	1,413,216	15,147	-

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

	Gross value				Total impairment losses			Total partial write-offs *
	Stage 1	of which: instruments with low credit risk	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Debt securities	858,807	-	-	-	167	-	-	-
Loans	406,409	-	56,219	47,779	1,317	1,483	26,256	-
Total 31/12/2020	1,265,216	-	56,219	47,779	1,484	1,483	26,256	-
Total 31/12/2019	1,416,066	-	71,287	36,367	1,426	1,394	21,220	-
of which: acquired or originated impaired financial assets	X	X	-	-	X	-	-	-

(*) Value to be reported for disclosure purposes.

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

	Gross value				Total impairment losses			Total partial write-offs *
	Stage 1	of which: instruments with low credit risk	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
1. Loans subject to forbearance compliant with GL	7,279	-	11,384	-	34	560	-	-
2. Loans subject to other forbearance measures	-	-	-	-	-	-	-	-
3. New loans	12,030	-	25	-	34	-	-	-
Total 31/12/2020	19,309	-	11,409	-	68	560	-	-
Total 31/12/2019								

(*) Value to be reported for disclosure purposes.

This table shows the details of the gross value and of the total impairment losses broken down by risk stages, for loans, subject to "moratoriums" or other concession measures in place at the statement of financial position date, or which constitute new liquidity granted through public guarantee mechanisms.

The line "Loans subject to forbearance compliant with GL" shows the information relating to the financial assets subject to the moratorium that fall within the scope of the "Guidelines on legislative and non legislative moratoria on loan repayments applied in the light of the COVID 19 crisis" published by the EBA (EBA/GL/2020/02) and subsequent amendments and additions. At 31 December 2020 there are 18 positions subject to forbearance compliant with the GL for a total exposure of 18,663 thousand euros.

The line "New loans" includes 21 new loans granted with the support of public guarantees for a total exposure of 12,055 thousand euros.

Section 7 - Equity investments - Item 70

7.1 Equity investments: information on investment relationships

Company name	Registered office	Place of business	% share	Voting rights %
A. Wholly-controlled companies				
1. Finnat Fiduciaria S.p.A.	Rome	Rome	100.00	
2. InvestiRE SGR S.p.A.	Rome	Rome	50.16	
3. Finnat Gestioni S.A.	Lugano	Lugano	70.00	
4. Natam Management Company S.A.	Luxembourg	Luxembourg	100.00	
B. Companies subject to joint control				
1. Aldia S.p.A.	Bologna	Bologna	10.00	
2. Liphe S.p.A.	Bologna	Bologna	10.00	
C. Companies subject to significant influence (*)				
1. Prévira Invest SIM S.p.A. in liquidation	Rome	Rome	20.00	
2. Imprebanca S.p.A.	Rome	Rome	20.00	

(*) Associated companies

The share also represents the percentage of voting rights at the shareholders' meetings.

The item at 31 December 2020 amounts to 78,934 thousand euros (77,109 thousand euros at 31 December 2019).

7.2 Individually material equity investments: book value, fair value and dividends received

7.3 Individually material equity investments: financial information

7.4 Individually immaterial equity investments: financial information

As indicated in the 6th update to Circular no. 262 of 22 December 2005, the information about the above items are not provided, inasmuch as the Bank prepares the Consolidated Financial Statements.

7.5 Equity investments: annual changes

	Total 31/12/2020	Total 31/12/2019
A. Initial amount	77,109	72,463
B. Increases	3,468	7,035
B.1 Purchases	-	2,040
B.2 Value recoveries	-	-
B.3 Revaluations	3,468	4,985
B.4 Other changes	-	10
C. Decreases	1,643	2,389
C.1 Sales	-	-
C.2 Impairment losses	73	1,558
C.3 Write-downs	1,570	831
C.4 Other changes	-	-
D. Final amount	78,934	77,109
E. Total revaluations	53,830	51,932
F. Total impairment losses	5,698	5,625

Item B.3 Revaluations refers to the fair value adjustment of the subsidiaries - InvestiRE SGR S.p.A. for 3,044 thousand euros and Natam S.A. for 424 thousand euros.

Item C.2 Impairment losses refers to the impairment applied on the associated company Imprebanca S.p.A. for 73 thousand euros.

The item C.3 Write-downs concerns the fair value adjustment of the subsidiaries Finnat Fiduciaria S.p.A. for 1,200 thousand euros and Finnat Gestioni S.A. for 370 thousand euros.

Item E. Total revaluations shows the total fair value adjustment of the subsidiaries amounting to 53,830 thousand euros, of which 44,394 thousand euros referred to InvestiRE SGR S.p.A.

Item F. Total impairment losses shows the total impairment applied on the associated companies and joint ventures, amounting to 5,698 thousand euros, of which 3,897 thousand euros relating to Imprebanca S.p.A..

The equity investments in subsidiaries were measured on the basis of the three-year business plan prepared by the subsidiaries applying the methods used in professional practice. At 31 December 2020 the book value of the equity investments in subsidiaries amounted to 72,282 thousand euros.

Changes in the item Equity investments are shown in detail in the Statement of annual changes in equity investments attached to the financial statements.

Section 8 – Property, equipment and investment property- Item 80

8.1 Property and equipment used in operation: breakdown of assets measured at cost

Assets/amounts	Total 31/12/2020	Total 31/12/2019
1. Owned assets	4,331	4,596
a) land	1,308	1,308
b) buildings	2,041	2,178
c) furniture	656	683
d) electronic equipment	326	427
e) other	-	-
2. Rights of use acquired through leases	7,384	8,974
a) land	-	-
b) buildings	6,982	8,585
c) furniture	-	-
d) electronic equipment	19	37
e) other	383	352
Total	11,715	13,570
of which: obtained through enforcement of guarantees received	-	-

The Bank owns two offices located in Rome - Via Parigi no. 11. In 1974, the property was revalued by 8 thousand euros and further revaluations were made for a total of 1,216 thousand euros in accordance with Italian laws no. 576 of 2 December 1975, no. 72 of 19 March 1983, and no. 413 of 30 December 1991.

Moreover, as a result of the absorption of Finnat Real Estate S.r.l. in 2014, the Bank recorded, with continuity of values, the tangible assets including the free-standing building located in Rome, Corso Trieste, 118.

Point 2 of the table above shows the rights of use relating to lease agreements, as required by the accounting standard IFRS 16.

8.6 Property and equipment used in operation: annual changes

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Gross initial carrying amount	1,308	16,433	2,297	5,010	476	25,524
A.1 Total net adjustment	-	5,670	1,614	4,546	124	11,954
A.2 Net initial carrying amount	1,308	10,763	683	464	352	13,570
B. Increases	-	211	2	55	176	444
B.1 Purchases	-	211	2	55	176	444
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Value recoveries	-	-	-	-	-	-
B.4 Positive changes in fair value allocated to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Transfers from properties held for investment	-	-	X	X	X	-
B.7 Other changes	-	-	-	-	-	-
C. Decreases	-	1,951	29	174	145	2,299
C.1 Sales	-	-	-	-	-	-
C.2 Depreciation	-	1,951	29	174	145	2,299
C.3 Net losses on impairment allocated to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Negative changes in fair value allocated to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) investment property	-	-	X	X	X	-
b) non-current assets held for sale and discontinued operations	-	-	-	-	-	-
C.7 Other changes	-	-	-	-	-	-
D. Net final amount	1,308	9,023	656	345	383	11,715
D.1 Total net adjustment	-	7,621	1,643	4,720	269	14,253
D.2 Final carrying amount	1,308	16,644	2,299	5,065	652	25,968
E. Valuation at cost						

The above tangible assets were recognised at cost plus any directly chargeable ancillary expenses. These have been subjected to systematic depreciation on a straight-line basis, determined according to the useful life of the asset in question and the period of effective use.

The depreciation quotas applied, in relation to the useful life of assets, are as follows: Property 3%, Furniture and Furnishings (with the exclusion of works of art) 12%, Systems 15%-20%, Office machines and Electronic equipment 20%, Vehicles 25%.

As required by Circular no. 262, the table of changes in tangible assets relating solely to rights of use is reported below.

IFRS 16 - Property and equipment used in operation: annual changes

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Gross initial carrying amount	-	10,439	-	56	476	10,971
A.1 Total net adjustment	-	1,855	-	19	124	1,998
A.2 Net initial carrying amount	-	8,584	-	37	352	8,973
B. Increases	-	212	-	-	176	388
B.1 Purchases	-	212	-	-	176	388
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Value recoveries	-	-	-	-	-	-
B.4 Positive changes in fair value allocated to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Transfers from properties held for investment	-	-	X	X	X	-
B.7 Other changes	-	-	-	-	-	-
C. Decreases	-	1,814	-	18	145	1,977
C.1 Sales	-	-	-	-	-	-
C.2 Depreciation	-	1,814	-	18	145	1,977
C.3 Net losses on impairment allocated to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Negative changes in fair value allocated to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) investment property	-	-	X	X	X	-
b) non-current assets held for sale and discontinued operations	-	-	-	-	-	-
C.7 Other changes	-	-	-	-	-	-
D. Net final amount	-	6,982	-	19	383	7,384
D.1 Total net adjustment	-	3,669	-	37	269	3,975
D.2 Final carrying amount	-	10,651	-	56	652	11,359
E. Valuation at cost						

Section 9 - Intangible assets - Item 90

9.1 Intangible assets: breakdown by asset

Assets/Amounts	Total 31/12/2020		Total 31/12/2019	
	Definite life	Indefinite life	Definite life	Indefinite life
A.1 Goodwill	X	300	X	300
A.2 Other intangible assets	138	48	159	48
A.2.1 Assets measured at cost:	138	48	159	48
a) Internally generated intangible assets	-	-	-	-
b) Other assets	138	48	159	48
A.2.2 Assets measured at fair value:	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	138	348	159	348

The Bank, in view of the option envisaged by IFRS 16.4, decided not to apply the standard to any operating leases on intangible assets. Therefore, the item does not include rights of use acquired under operating leases (as lessee) and relating to the use of an intangible asset.

Item A.1 equal to 300 thousand euros regards a part of the goodwill resulting from the merger of Banca Finnat Euramerica S.p.A. into Terme Demaniali di Acqui S.p.A., carried out in 2003. As it regards an intangible asset with indefinite useful life, an impairment test was carried out in accordance with the provisions of IAS 36. This evaluation did not show any loss in value to record in the income statement.

9.2 Intangible assets: annual changes

	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total
		DEF	INDEF	DEF	INDEF	
A. Initial amount	300	-	-	2,851	48	3,199
A.1 Total net adjustment	-	-	-	2,692	-	2,692
A.2 Net initial carrying amount	300	-	-	159	48	507
B. Increases	-	-	-	66	-	66
B.1 Purchases	-	-	-	66	-	66
B.2 Increases in internal intangible assets	X			-		-
B.3 Value recoveries	X			-		-
B.4 Positive changes in fair value	-	-	-	-	-	-
- on shareholders' equity	X					-
- on income statement	X					-
B.5 Positive exchange rate differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	-	-	-	87	-	87
C.1 Sales	-	-	-	-	-	-
C.2 Impairment losses	-	-	-	87	-	87
(-) Amortisation	X	-	-	87	-	87
(-) Write-downs	-	-	-	-	-	-
(+) shareholders' equity	X	-	-	-	-	-
(+) income statement	-	-	-	-	-	-
C.3 Negative changes in fair value	-	-	-	-	-	-
- on shareholders' equity	X	-	-	-	-	-
- on income statement	X	-	-	-	-	-
C.4 Transfers to non-current assets being disposed	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Net final amount	300	-	-	138	48	486
D.1 Total net impairment losses	-	-	-	2,779	-	2,779
E. Final carrying amount	300	-	-	2,917	48	3,265
F. Valuation at cost						

Key:
DEF: definite duration
INDEF: indefinite duration

The above intangible assets with definite life refer to software licenses. The useful life of the above intangible assets has been estimated as three years hence the assets have been subjected to amortisation on a straight-line basis with the application of the rate of 33.33%.

Section 10 - Tax assets and liabilities - Items 100 (assets) and 60 (liabilities)

Current tax assets totalled 706 thousand euros (3,408 thousand euros at 31 December 2019) and concerned mainly an IRAP receivable of 645 thousand euros.

Current tax liabilities amounted to 333 thousand euros (14 thousand euros at 31 December 2019) and are composed exclusively of IRES payables from the national tax consolidation for 224 thousand euros and VAT payables to be paid for 109 thousand euros.

10.1 Deferred tax assets: breakdown

Deferred tax assets accounted for with reference to the deductible temporary differences amounted to 1,605 thousand euros (1,995 thousand euros at 31 December 2019) and refer, for 1,489 thousand euros to taxes recognised through profit or loss and for 116 thousand euros to taxes recognised with a corresponding item in shareholders' equity. The former mainly include the unpaid amount of benefits connected with the deductibility in future years of adjustments on receivables (611 thousand euros) adjustments on securities (260 thousand euros) and the benefit stemming from the tax value of the goodwill that will contribute to the formation of taxable income until 2029 (531 thousand euros). Said tax goodwill - originally totalling 21,440 thousand euros - was recorded in 2003, as a result of the merger of Banca Finnat Euramerica S.p.A. and Finnat Corporate S.p.A. with Terme Demaniali di Acqui S.p.A.

Deferred tax assets as a balancing entry in shareholders' equity relate exclusively to taxes on negative valuation reserves relating to Financial assets at fair value through other comprehensive income (31 thousand euros) and the recognition of actuarial losses on the Provisions for termination indemnities (85 thousand euros).

10.2 Deferred tax liabilities: breakdown

Deferred tax liabilities amounted to 1,950 thousand euros (1,376 thousand euros at 31 December 2019) and are recognised through profit or loss for 92 thousand euros and as a balancing entry in shareholders' equity for 1,858 thousand euros. The latter relate to taxes on positive valuation reserves relating to Equity investments in subsidiaries measured at fair value (740 thousand euros) and Financial assets at fair value through other comprehensive income (1,118 thousand euros).

Deferred tax assets and liabilities have been determined applying the IRES rate, any IRES surtax and, where applicable, the IRAP rate in force at the date of preparation of these financial statements.

10.3 Changes in deferred tax assets (with corresponding item in the income statement)

	Total 31/12/2020	Total 31/12/2019
1. Opening balance	1,670	1,488
2. Increases	37	404
2.1 Deferred tax assets recognised in the year	37	404
a) relating to previous years	-	-
b) due to changes in accounting criteria	-	-
c) value recoveries	-	-
d) other	37	404
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
3. Decreases	218	222
3.1 Deferred tax assets eliminated in the year	218	222
a) reversals	218	222
b) write-offs	-	-
c) changes in accounting criteria	-	-
d) other	-	-
3.2 Tax rate reductions	-	-
3.3 Other decreases	-	-
a) changes into tax credits pursuant to Law no. 214/2011	-	-
b) other	-	-
4. Closing balance	1,489	1,670

The figures indicated in table 10.3 comprise the amounts shown in table 10.3.bis.

10.3 bis Changes in deferred tax assets per Law no. 214/2011

	Total 31/12/2020	Total 31/12/2019
1. Opening balance	1,150	1,150
2. Increases	-	-
3. Decreases	8	-
3.1 Reversals	8	-
3.2 Transformation into tax credits	-	-
a) deriving from losses for the year	-	-
b) deriving from tax losses	-	-
3.3 Other decreases	-	-
4. Closing balance	1,142	1,150

10.4 Changes in deferred tax liabilities (with corresponding item in the income statement)

	Total 31/12/2020	Total 31/12/2019
1. Opening balance	148	135
2. Increases	7	13
2.1 Deferred tax liabilities recognised in the year	7	13
a) relating to previous years	-	-
b) due to changes in accounting criteria	-	-
c) other	7	13
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
3. Decreases	63	-
3.1 Deferred tax liabilities eliminated in the year	63	-
a) reversals	63	-
b) due to changes in accounting criteria	-	-
c) other	-	-
3.2 Tax rate reductions	-	-
3.3 Other decreases	-	-
4. Closing balance	92	148

10.5 Changes in deferred taxes assets (with corresponding item in shareholders' equity)

	Total 31/12/2020	Total 31/12/2019
1. Opening balance	325	4,403
2. Increases	5	50
2.1 Deferred tax assets recognised in the year	5	50
a) relating to previous years	-	-
b) due to changes in accounting criteria	-	-
c) other	5	50
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
3. Decreases	214	4,128
3.1 Deferred tax assets eliminated in the year	214	4,128
a) reversals	214	4,128
b) write-offs	-	-
c) due to changes in accounting criteria	-	-
d) other	-	-
3.2 Tax rate reductions	-	-
3.3 Other decreases	-	-
4. Closing balance	116	325

10.6 Changes in deferred tax liabilities (with corresponding item in shareholders' equity)

	Total 31/12/2020	Total 31/12/2019
1. Opening balance	1,228	1,040
2. Increases	740	266
2.1 Deferred tax liabilities recognised in the year	740	266
a) relating to previous years	-	-
b) due to changes in accounting criteria	-	266
c) other	740	-
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
3. Decreases	110	78
3.1 Deferred tax liabilities eliminated in the year	110	78
a) reversals	110	78
b) due to changes in accounting criteria	-	-
c) other	-	-
3.2 Tax rate reductions	-	-
3.3 Other decreases	-	-
4. Closing balance	1,858	1,228

For further information on changes to deferred tax assets and liabilities, please see: for those recorded in the income statement, Part C - Section 19 Taxes on income from continuing operations and for those recorded in the shareholders' equity Part D - Statement of comprehensive income.

* * *

With regard to tax disputes referring to the Bank, an appeal against an unfavourable decision no. 253/07/10 of the Regional Tax Commission of Lazio is still pending. The dispute pertains to assessment notice no. RCB030302029/2005, whereby the Revenue Agency argued that certain operating costs relating to the year 2002 were not deductible for IRPEG and IRAP purposes (costs for advisory services and costs pertaining to a lease agreement).

The Supreme Court, with its decision no. 27786/18 handed down on 19 June 2018, quashed the appeal decision, requiring the Regional Tax Commission of Lazio, with a different composition, to examine the merits of the case again. The Bank filed a prompt appeal to resume the proceedings before the Regional Tax Commission of Lazio. The hearing to discuss the appeal has been set for 30 June 2021. However, it should be pointed out that taxes amounting to 55 thousand euros plus penalties and interest were expensed in the income statement by the Bank.

Section 12 - Other assets - Item 120

12.1 Other assets: breakdown

	Total 31/12/2020	Total 31/12/2019
Receivables for guarantee deposits	334	330
Receivables from group companies for tax consolidation	634	667
Receivables from Group companies	764	5,304
Deposits with Cassa Compensazione e Garanzia	5,799	11,164
Deposits with Ice Clear Europe	5,600	-
Due from counterparties and brokers	215	-
Tax credits for withholding tax	5,230	6,789
Sundry receivables	1,347	1,421
Total	19,923	25,675

Receivables from group companies included 650 thousand euros of dividends for the warrants A - resolved by the Shareholders' Meeting of the subsidiary InvestiRE SGR on 29 March 2019 (530 thousand euros) and on 30 March 2020 (120 thousand euros) - relating to the commissions to be collected on the performance recorded by the subsidiary on the sale of FIP properties. These amounts will be paid only upon liquidation of the FIP fund.

LIABILITIES

Section 1 - Financial liabilities at amortised cost - Item 10

1.1 Financial liabilities at amortised cost: breakdown by product of due to banks

Type of transactions/Amounts	Total 31/12/2020				Total 31/12/2019			
	BV	Fair value			BV	Fair value		
		L1	L2	L3		L1	L2	L3
1. Due to Central Banks	-	X	X	X	-	X	X	X
2. Due to banks	145	X	X	X	369	X	X	X
2.1 Current accounts and demand deposits	145	X	X	X	369	X	X	X
2.2 Time deposits	-	X	X	X	-	X	X	X
2.3 Loans	-	X	X	X	-	X	X	X
2.3.1 Repurchase agreements	-	X	X	X	-	X	X	X
2.3.2 Other	-	X	X	X	-	X	X	X
2.4 Debts for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
2.5 Lease payables	-	X	X	X	-	X	X	X
2.6 Other payables	-	X	X	X	-	X	X	X
Total	145	-	-	145	369	-	-	369

Key:
L1 = Level 1; L2 = Level 2; L3 = Level 3

1.2 Financial liabilities at amortised cost: breakdown by product of due to customers

Type of transactions/Amounts	Total 31/12/2020				Total 31/12/2019			
	BV	Fair value			BV	Fair value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	511,407	X	X	X	583,870	X	X	X
2. Time deposits	170,130	X	X	X	197,033	X	X	X
3. Loans	853,159	X	X	X	985,179	X	X	X
3.1 Repurchase agreements	853,159	X	X	X	985,179	X	X	X
3.2 Other	-	X	X	X	-	X	X	X
4. Debts for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
5. Lease payables	7,595	X	X	X	9,176	X	X	X
6. Other payables	15,526	X	X	X	15,383	X	X	X
Total	1,557,817	-	-	1,557,817	1,790,641	-	-	1,790,641

Key:
L1 = Level 1; L2 = Level 2; L3 = Level 3

Item 3.1 Repurchase agreements concerns exclusively the transactions carried out with Cassa di Compensazione e Garanzia.

1.3 Financial liabilities at amortised cost: breakdown by product of securities issued

Type of transactions/Amounts	Total 31/12/2020				Total 31/12/2019			
	BV	Fair value			BV	Fair value		
		L1	L2	L3		L1	L2	L3
A. Securities	-	-	-	-	24,913	-	-	24,876
1. bonds	-	-	-	-	24,913	-	-	24,876
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	-	-	-	-	24,913	-	-	24,876
2. other securities	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	-	-	-	-	-	-	-	-
Total	-	-	-	-	24,913	-	-	24,876

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

The item represents the bonds issued by the Bank, including the accrued coupon. The bond loan present in 2019 expired in October 2020. The 2019 amount is shown net of the securities held for trading present in its portfolio, with a nominal amount of 5,087 thousand euros.

1.6 Lease payables

The information pursuant to IFRS 16, paragraph 58, is reported below.

Type	Maturities					
	up to 1 month	from over 1 month to 3 months	from over 3 months to 1 year	from over 1 year to 5 years	more than 5 years	Total 31/12/2020
Buildings	465	52	1,206	3,876	1,591	7,190
Electronic equipment	-	3	16	-	-	19
Other	14	23	98	250	1	386
Total	479	78	1,320	4,126	1,592	7,595

As regards the information pursuant to IFRS 16, paragraph 53, letter g), total cash outflows for leases in 2020 came to 1,991 thousand euros.

Section 2 - Financial liabilities held for trading - Item 20

2.1 Financial liabilities held for trading: breakdown by product

Type of transactions/Amounts	Total 31/12/2020					Total 31/12/2019				
	NV	Fair value			Fair value*	NV	Fair value			Fair value*
		L1	L2	L3			L1	L2	L3	
A. Cash liabilities	-	-	-	-	-	-	-	-	-	-
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total A	-	-	-	-	-	-	-	-	-	-
B. Derivatives	-	-	40	-	-	-	-	152	-	-
1. Financial derivatives	-	-	40	-	-	-	-	152	-	-
1.1 Held for trading	X	-	40	-	X	X	-	152	-	X
1.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	-	-	-	-	-	-	-	-	-	-
2.1 Held for trading	X	-	-	-	X	X	-	-	-	X
2.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	X	-	40	-	X	X	-	152	-	X
Total (A + B)	X	-	40	-	X	X	-	152	-	X

Key:
NV = face or notional value
L1 = Level 1; L2 = Level 2; L3 = Level 3
* fair value calculated excluding changes in value due to changes in creditworthiness

Item "B. Derivatives" includes the negative measurement of currency forwards.

Section 6 - Tax liabilities - Item 60

See Section 10 of the assets.

Section 8 - Other liabilities - Item 80

8.1 Other liabilities: breakdown

	Total 31/12/2020	Total 31/12/2019
Social security and insurance contributions to be paid	1,315	945
Payables to personnel employed and contractors	2,682	1,105
Emoluments to be paid to the Directors	6	18
Emoluments to be paid to the Board of Statutory Auditors	127	127
Due to suppliers	745	667
Payables to group companies for tax consolidation	-	12
Payables to Group companies	72	115
Shareholders for dividends to be paid	1,743	1,996
Payables to brokers and institutional counterparties	951	1,590
Tax payables for withholding tax	2,779	1,647
Other payables	2,129	1,193
Total	12,549	9,415

Section 9 – Post-employment benefits - Item 90

9.1 Post-employment benefits**: annual changes**

	Total 31/12/2020	Total 31/12/2019
A. Initial amount	1,983	2,014
B. Increases	838	927
B.1 Allocation for the year	838	927
B.2 Other changes	-	-
C. Decreases	1272	958
C.1 Severance indemnities paid out	781	287
C.2 Other changes	491	671
D. Final amount	1,549	1,983

Item B.1 Allocation for the year, includes the actuarial gain of 50 thousand euros recognised among valuation reserves, net of the tax effect, in accordance with IAS 19. In 2019, an actuarial loss of 74 thousand euros was recorded.

Item C.2 Other changes includes payments made to supplementary Social Security Institutes and the INPS Treasury - net of disbursements carried out - as established by Italian Law no. 296/06.
The actuarial assumptions used to calculate the liabilities at the statement of financial position date are set out below:
Demographic assumption
As regards the demography data used, life expectancy was assessed using the RG48 demographic table on population activity ratios ("Tavola di permanenza nella posizione di attivo") (processed by the General Accounting Office, by reference to the 1948 generation), "selected, projected and subdivided by gender", supplemented by internal statistics concerning the probability of staff leaving employment.

Economic-financial assumptions

Technical evaluations were made on the basis of the following assumptions:

- technical discount rate between 0% and 0.2229%, determined on the basis of the rate curve built in view of the effective yield rate of the bonds in Euro of leading companies rated AA or higher;
- annual inflation rate 1.50%.

The provisions for termination indemnities at 31 December 2020, calculated in accordance with the provisions of Article no. 2120 of the Italian Civil Code amounted to 1,404 thousand euros.

Section 10 - Provisions for risks and charges - Item 100

10.1 Provisions for risks and charges: breakdown

Items/Amounts	**Total 31/12/2020**	**Total 31/12/2019**
1. Provisions for credit risk related to commitments and financial guarantees given	246	102
2. Provisions on other commitments and other guarantees given	-	-
3. Company pension funds	-	-
4. Other provisions for risks and charges	67	-
4.1. Legal and tax disputes	-	-
4.2. Personnel expenses	-	-
4.3 Other	67	-
Total	313	102

Item 1. Provisions for credit risk related to commitments and financial guarantees given concerns the collective impairment losses recorded up until 31 December 2020 totalling 233 thousand euros and an individual adjustment carried out in the previous year on an impaired guarantee for 13 thousand euros.
Collective impairment losses on commitments in the year came to 107 thousand euros and collective impairment losses on financial guarantees stood at 37 thousand euros.

Item 4. "Other provisions for risks and charges" includes the provision made in the year to cover any indemnity to be paid to employees.

With reference to the events that concerned Bio-On S.p.A. and the associated top management representatives, it should be noted that last year the Bank received some letters from investors holding shares in the company, none of whom are bank customers, also through trade associations, in which compensation was requested for the damage suffered by said parties. The arguments contained in said letters are generic and vague both in subjective terms, and with reference to the conduct attributable to the Bank, the facts disputed and the alleged damage suffered. To date, a possible legal risk is not identifiable.

10.2 Provisions for risks and charges: annual changes

	Provisions on other commitments and other guarantees given	Pension funds	Other provisions for risks and charges	Total
A. Initial amount	102	-	-	102
B. Increases	144	-	67	211
B.1 Allocation for the year	144	-	67	211
B.2 Changes due to the passing of time	-	-	-	-
B.3 Changes due to discount rate variations	-	-	-	-
B.4 Other changes	-	-	-	-
C. Decreases	-	-	-	-
C.1 Use in the year	-	-	-	-
C.2 Changes due to discount rate variations	-	-	-	-
C.3 Other changes	-	-	-	-
D. Final amount	246	-	67	313

For comments on the changes, refer to the notes at the bottom of table 10.1 Provisions for risks and charges: breakdown.

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

	Provisions for credit risk related to commitments and financial guarantees given			
	Stage 1	Stage 2	Stage 3	Total
Commitments to lend funds	110	1	-	111
Financial guarantees given	101	21	13	135
Total	211	22	13	246

10.6 Provisions for risks and charges - other provisions

The provisions for risks and charges - other provisions amounted to 67 thousand euros. For details, refer to the notes at the bottom of table 10.1 Provisions for risks and charges: breakdown.

Section 12 - Equity - Items 110, 140, 160 and 170

12.1 "Share capital" and "Treasury shares": breakdown

At 31 December 2020, the share capital paid up by the Bank was 72,576,000 euros, divided into 362,880,000 ordinary shares with a face value of 0.20 euros each.

At 31 December 2020, treasury shares numbered 28,810,640. These shares totalling 14,059 thousand euros, equal to 7.9% of the share capital, in application of IAS 32, were used to adjust the shareholders' equity. In the year in question, the Bank did not buy or sell any treasury shares.

12.2 Share capital - Number of shares: annual changes

Items/Types	Ordinary	Other
A. Number of shares at the beginning of the year	362,880,000	
– fully paid-in	362,880,000	-
– not fully paid-in	-	-
A.1 Treasury shares (-)	(28,810,640)	-
A.2 Shares outstanding: initial amount	334,069,360	-
B. Increases	-	-
B.1 New issues	-	-
– against payment:	-	-
- business combinations	-	-
- conversion of bonds	-	-
- exercise of warrants	-	-
- other	-	-
– for free:	-	-
- in favour of employees	-	-
- in favour of directors	-	-
- other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other changes	-	-
C. Decreases	-	-
C.1 Derecognition	-	-
C.2 Purchase of treasury shares	-	-
C.3 Disposal of companies	-	-
C.4 Other changes	-	-
D. Shares outstanding: final amount	334,069,360	-
D.1 Treasury shares (+)	28,810,640	-
D.2 Number of shares at the end of the year	362,880,000	-
– fully paid-in	362,880,000	-
– not fully paid-in	-	-

12.3 Share capital: additional information

During the year, the Bank's share capital was not subject to change.

12.4 Retained earnings: other information

The "Reserves" item amounts to 122,058 thousand euros (121,281 thousand euros at 31 December 2019) and is broken down as follows:

- retained earnings:
  117,816 thousand euros consisting of the legal reserve of 11,525 thousand euros, extraordinary reserve of 85,292 thousand euros, the dividend adjustment reserve of 6,725 thousand euros, restated IAS 19 retained earnings reserve of 179 thousand euros, the reserve for merger surplus of 524 thousand euros, the reserve for treasury shares purchased of 14,059 thousand euros and the negative reserve from restated IFRS 9 of 488 thousand euros;
- other reserves:
  Other reserves of 4,242 thousand euros consisting of the reserve for the realised gain on treasury shares of 4,277 thousand euros and net losses on sale of shares present in the portfolio financial assets at fair value through other comprehensive income of 35 thousand euros.

12.6 Other information

The table below shows the information required by Article 2427, paragraph 7-bis of the Italian Civil Code.

Type/description	Amount at 31/12/2020	Possibility of use	Share available	Summary of utilisation during the last three years			
				for loss coverage	for other reasons		
					2017	2018	2019
Share capital	**72,576**		-				
Reserves:	**122,058**		**96,474**				
Legal reserve	11,525	B	-				
Extraordinary reserve	85,292	A B C	85,292				
Dividend adjustment reserve	6,725	A B C	6,725				
Profit brought forward from restated IAS 19	179	A B C	179				
Profit brought forward from restated IAS 9	(488)		(488)				
Gains on the sale of HTCS shares	(35)	A B C	(35)				
Gains on the sale of treasury shares	4,277	A B C	4,277				
Reserve for treasury shares purchased	14,059		-				
Reserve for merger surplus	524	A B C	524				
Valuation reserves:	**61,013**		**1,364**				
Special revaluation regulations	1,364	A B	1,364				
Valuation reserve	59,649	B	-				
Treasury shares	**(14,059)**		-				
TOTAL	241,588		97,838	-			
Non-distributable share	-		1,364				
Remaining distributable share	-		96,474				

Key:
A for share capital increase - B for loss coverage - C for distribution to shareholders

Other information

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

	Nominal value over commitments and financial guarantees given			Total 31/12/2020	Total 31/12/2019
	Stage 1	Stage 2	Stage 3		
1. Commitments to lend funds	27,779	783	-	28,562	24,951
a) Central Banks	-	-	-	-	-
b) Public administrations	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other financial institutions	19,592	-	-	19,592	17,410
e) Non financial institutions	1,790	8	-	1,798	923
f) Households	6,397	775	-	7,172	6,618
2. Financial guarantees given	20,545	4,372	299	25,216	24,666
a) Central Banks	-	-	-	-	-
b) Public administrations	-	-	-	-	-
c) Banks	621	-	-	621	591
d) Other financial institutions	8,934	179	-	9,113	9,182
e) Non financial institutions	9,011	2,489	299	11,799	12,123
f) Households	1,979	1,704	-	3,683	2,770

The above table shows the irrevocable commitments to lend funds and the financial guarantees given. Both items are subject to the write-down rules established by IFRS 9.
Financial guarantees given c) Banks shows the commitment towards the Interbank Fund for the Protection of Deposits, amounting to 574 thousand euros.

2. Other commitments and other guarantees given

	Nominal value	
	Total 31/12/2020	Total 31/12/2019
1. Other guarantees given	-	
of which: impaired	-	-
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial institutions	-	-
e) Non financial institutions	-	-
f) Households	-	-
2. Other commitments	185,122	185,201
of which: impaired	3	-
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	63	63
d) Other financial institutions	34,998	21,690
e) Non financial institutions	111,365	113,229
f) Households	38,696	50,219

The above table shows the irrevocable commitments to lend funds and the other commitments for transactions to be settled that are not subject to IFRS 9 write-down rules.

3. Assets pledged as collateral of liabilities and commitments

Portfolios	Amount at 31/12/2020	Amount at 31/12/2019
1. Financial assets at fair value through profit or loss	-	-
2. Financial assets at fair value through other comprehensive income	-	-
3. Financial assets at amortised cost	858,640	993,727
4. Property and equipment	-	-
of which: property and equipment constituting inventory	-	-

4. Management and dealing on behalf of third parties

Type of service	Amount
1. Trading on behalf of customers	
a) purchases	2,881,216
1. settled	2,877,370
2. to be settled	3,846
b) sales	2,670,081
1. settled	2,659,778
2. to be settled	10,303
2. Individual portfolio management	**727,365**
3. Custody and administration of securities	
a) third-party securities held in deposit: related to depositary bank activities (excluding portfolio management)	-
1. securities issued by the bank preparing the Financial Statements	-
2. other securities	-
b) third-party securities on deposit (excluding portfolio management): other	1,826,346
1. securities issued by the bank preparing the Financial Statements	56,253
2. other securities	1,770,093
c) third-party securities lodged with third parties	1,811,011
d) own securities lodged with third parties	1,244,393
4. Other transactions	-

Part C - Information on the Income Statement

Section 1 - Interests - Items 10 and 20

1.1 Interest and similar income: breakdown

Items/Categories	Debt securities	Loans	Other transactions	Total 2020	Total 2019
1. Financial assets at fair value through profit or loss	774	-	-	774	555
1.1. Financial assets held for trading	774	-	-	774	555
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily measured at fair value	-	-	-	-	-
2. Financial assets at fair value through other comprehensive income	1,144	-	X	1,144	1,551
3. Financial assets at amortised cost:	5,872	7,300	-	13,172	14,044
3.1 Due from banks	-	24	X	24	159
3.2 Loans to customers	5,872	7,276	X	13,148	13,885
4. Hedging derivatives	X	X	-	-	-
5. Other assets	X	X	2	2	-
6. Financial liabilities	X	X	X	3,312	2,563
Total	7,790	7,300	2	18,404	18,713
of which: interest income on impaired financial assets	-	700	-	700	882
of which: interest income on finance leases	-	-	-	-	-

1.3 Interest and similar expense: breakdown

Items/Categories	Payables	Securities	Other transactions	Total FY 2020	Total FY 2019
1. Financial liabilities at amortised cost	1,417	-	-	1,417	1,667
1.1 Due to Central Banks	-	X	X	-	-
1.2 Due to banks	2	X	X	2	1
1.3 Due to customers	1,415	X	X	1,415	1,654
1.4 Securities issued	X	-	X	-	12
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities and funds	X	X	-	-	-
5. Hedging derivatives	X	X	-	-	-
6. Financial assets	X	X	X	752	669
Total	1,417	-	-	2,169	2,336
of which: interest expense related to lease payables	110	-	-	110	117

Net Interest income totals 16,235 thousand euros, versus 16,378 thousand euros in the previous financial year.

Section 2 - Commissions - Items 40 and 50

2.1 Fee and commission income: breakdown

Type of service/Amounts	Total 2020	Total 2019
a) guarantees given	249	272
b) credit derivatives	-	-
c) administration, brokerage and consultancy services:	21,311	20,090
1. trading in financial instruments	6,187	5,102
2. currency dealing	-	-
3. individual portfolio management	6,383	5,914
4. custody and administration of securities	498	508
5. depositary bank	-	-
6. placement of securities	3,869	3,935
7. reception and transmission of orders	-	-
8. consultancy services	1,938	2,189
8.1. on investments	882	737
8.2. on financial structure	1,056	1,452
9. distribution of third-party services	2,436	2,442
9.1. portfolio management	529	523
9.1.1. individual	-	-
9.1.2. collective	529	523
9.2. insurance policies	1,907	1,919
9.3. other products	-	-
d) collection and payment services	314	452
e) servicing related to securitisations	-	-
f) factoring services	-	-
g) tax collection office services	-	-
h) multilateral trading systems management	-	-
i) management of current accounts	423	389
j) other services	1,442	1,530
Total	23,739	22,733

The item 9.1.2 Distribution of third-party services - collective comprises 394 thousand euros (388 thousand euros at 31 December 2019) of the commissions pertaining to the activity as the main distributor of the products of the subsidiary Natam.

The following table provides the information about contracts with customers required by IFRS 15.

Revenue from contracts with customers (IFRS 15)

	2020 Revenue	Revenue recognised in 2020 included in the opening balance of the liabilities deriving from contracts at the start of the year	2019 Revenue	Revenue recognised in 2019 included in the opening balance of the liabilities deriving from contracts at the start of the year
Breakdown by type of service				
- consultancy services	1,938	98	2,189	109
- specialist	1,383	-	1,488	-
- trading	4,805	-	3,614	-
- placement	3,869	-	3,935	-
- individual management	4,872	-	4,631	-
- collective management	-	-	-	-
- delegated management	1,511	-	1,284	-
- services to listed issuers (SEQ and equity research)	455	116	506	126
- distribution of insurance products	1,907	-	1,919	-
- distribution of third-party services	529	-	523	-
- other services	2,470	-	2,644	24
Total fee and commission income	23,739	214	22,733	259
Line by line (impairment losses)/value recoveries for the period on trade receivables	74		(35)	
Collective (impairment losses/)value recoveries for the period on trade receivables	(57)		(14)	
Losses for derecognition of receivables	(13)		(11)	
Total (impairment losses)/recoveries on trade receivables	4		(60)	

As required by IFRS 15, the following information is provided:

- the variable fees accounted for during the year came to 1,425 thousand euros and they concern, for 885 thousand euros (260 thousand euros at 31 December 2019) management performance fees, for 445 thousand euros for delegated management performance fees (54 thousand euros at 31 December 2019) and for 95 thousand euros (210 thousand euros at 31 December 2019) success fees on corporate finance advisory services. Overall variable fees received in 2020 amounted to 44 thousand euros and in 2021 to 1,286 thousand (up to date of preparation of the financial statements);
- at the closing date of the year, there were no unrecognised fees and commissions on contracts above one year.

2.2 Fee and commission income: distribution channels of products and services

Channels/Amounts	Total 2020	Total 2019
a) own branches:	8,819	8,356
1. portfolio management	6,383	5,914
2. placement of securities	-	-
3. third-party products and services	2,436	2,442
b) other outlets:	-	-
1. portfolio management	-	-
2. placement of securities	-	-
3. third-party products and services	-	-
c) other distribution channels:	3,869	3,935
1. portfolio management	-	-
2. placement of securities	3,869	3,935
3. third-party products and services	-	-

2.3 Fee and commission expense: breakdown

Services/Amounts	Total 2020	Total 2019
a) guarantees received	-	-
b) credit derivatives	-	-
c) management and brokerage services:	1,472	948
1. trading in financial instruments	1,042	523
2. currency dealing	-	-
3. portfolio management:	85	93
3.1 own portfolio	40	45
3.2 third-party portfolio	45	48
4. custody and administration of securities	318	317
5. placement of financial instruments	27	15
6. "door-to-door" sale of financial instruments, products and services	-	-
d) collection and payment services	209	296
e) other services	344	201
Total	2,025	1,445

Net fee and commission incomes amounted to 21,713 thousand euros versus 21,289 thousand euros in the previous financial year.

Section 3 - Dividends and similar income - Item 70

3.1 Dividends and similar income: breakdown

Items/Income	Total 2020		Total 2019	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	1	1	10	-
B. Other financial assets mandatorily at fair value	-	1,366	-	2,438
C. Financial assets at fair value through other comprehensive income	424	-	566	-
D. Equity investments	3,548	-	3,890	-
Total	3,973	1,367	4,466	2,438

The item shows a balance of 5,340 thousand euros (6,904 thousand euros in the previous year).

Section 4 - Net trading expense - Item 80

4.1 Net trading expense: breakdown

Transactions/Income items	Gains (A)	Profit from trading activities (B)	Losses (C)	Losses from trading activities (D)	Net income [(A+B)-(C+D)]
1. Financial assets held for trading	238	349	46	1,300	(759)
1.1 Debt securities	149	47	-	809	(613)
1.2 Equities	33	281	39	470	(195)
1.3 UCI units	56	21	7	21	49
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	-	-	-	-	-
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Financial assets and liabilities: foreign exchange differences	X	X	X	X	501
4. Derivatives	21	623	36	565	5
4.1 Financial derivatives:	21	623	36	565	5
- on debt securities and interest rates	-	-	-	-	-
- on equity and stock indexes	21	623	36	565	43
- on currencies and gold	X	X	X	X	(38)
- other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges related to the fair value option	X	X	X	X	-
Total	259	972	82	1,865	(253)

Net trading expense features a negative balance of 253 thousand euros, compared to 1,737 thousand euros in 2019, and may be broken down as follows:

- a positive difference between unrealised capital gains and losses, in connection with the fair value measurement of the trading portfolio of 177 thousand euros (in 2019 there was a negative balance of 1,019 thousand euros);
- a negative balance between realised profits and losses related to trading on securities and derivatives of 893 thousand euros (in 2019, a negative balance of 1,008 thousand euros);
- a negative difference of 38 thousand euros between unrealised capital gains and losses in connection with the fair value measurement of currency forwards (in 2019, a negative balance of 71 thousand euros);
- a positive balance of 501 thousand euros between realised foreign exchange gains and losses (in 2019, a positive balance of 361 thousand euros).

Section 6 – Net gain from disposal/repurchase - Item 100

6.1 Net gain form disposal/repurchase: breakdown

Items/Income items			Total 2020			Total 2019
	Profit	Losses	Net income	Profit	Losses	Net income
A. Financial assets						
1. Financial assets at amortised cost	278	-	278	464	-	464
1.1 Due from banks	-	-	-	-	-	-
1.2 Loans to customers	278	-	278	464	-	464
2. Financial assets at fair value through other comprehensive income	1,406	236	1,170	242	-	242
2.1 Debt securities	1,406	236	1,170	242	-	242
2.2 Loans	-	-	-	-	-	-
Total assets (A)	1,684	236	1,448	706	-	706
B. Financial liabilities at amortised cost						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	-	-	-	-	-	-
Total liabilities (B)	-	-	-	-	-	-

Item 1.2 "Loans to customers" and item 2.1 "Debt securities" both refer to the net income achieved following the sale of Debt securities.

Section 7 – Net losses on other financial assets and liabilities at fair value through profit or loss - Item 110

7.2 Net losses on other financial assets and liabilities at fair value through profit or loss: breakdown of other financial assets mandatorily measured at fair value

Transactions/Income items	Gains (A)	Profits from disposal (B)	Losses (C)	Losses from disposal (D)	Net income [(A+B)-(C+D)]
1. Financial assets	88	-	341	-	(253)
1.1 Debt securities	-	-	-	-	-
1.2 Equities	-	-	25	-	(25)
1.3 UCI units	88	-	316	-	(228)
1.4 Loans	-	-	-	-	-
2. Financial assets in foreign currencies: foreign exchange differences	X	X	X	X	-
Total	88	-	341	-	(253)

Item 1.2 Equities relates to the Carige shares held through the FITD Voluntary Scheme for 18 thousand euros and to the Astaldi equity financial instruments for 7 thousand euros. Item 1.3 UCI units Losses (C) refers almost exclusively to the FIP Fund for 198 thousand euros and to the Apple Fund for 118 thousand euros.

At 31 December 2019, the item had a negative balance of 1,229 thousand euros.

Section 8 - Net impairment losses for credit risk - Item 130

8.1 Net impairment losses for credit risk associated with financial assets at amortised cost: breakdown

Transactions/Income items	Impairment losses (1)			Value recoveries (2)		Total 2020 (1) - (2)	Total 2019
	Stage 1 and 2	Stage 3		Stage 1 and 2	Stage 3		
		Write-off	Other				
A. Due from banks	43	-	-	-	-	43	(27)
- Loans	43	-	-	-	-	43	(27)
- Debt securities	-	-	-	-	-	-	-
of which: acquired or originated impaired loans	-	-	-	-	-	-	-
B. Loans to customers	442	100	5,380	122	259	5,541	12,188
- Loans	442	100	5,380	-	259	5,663	12,694
- Debt securities	-	-	-	122	-	(122)	(506)
of which: acquired or originated *impaired* loans	-	-	-	-	-	-	-
Total	485	100	5,380	122	259	5,584	12,161

Please refer to the comments provided in the asset items Financial assets at amortised cost: breakdown by product of due from banks and loans to customers (asset tables of the notes to the financial statements 4.1 and 4.2).

8.1a Net impairment losses for credit risk associated with financial assets at amortised cost subject to COVID-19 support measures: breakdown

Transactions/Income items	Impairment losses			Total 2020	Total 2019
	Stage 1 and 2	Stage 3			
		Write-off	Other		
1. Loans subject to forbearance compliant with GL	344	-	-	344	-
2. Loans subject to other forbearance measures	-	-	-	-	-
3. New loans	34	-	-	34	-
Total 2020	378	-	-	378	-
Total 2019					

This table shows the details of the net impairment losses for loans subject to "moratoriums" or which constitute new liquidity granted through public guarantee mechanisms.

8.2 Net impairment losses for credit risk associated with financial assets at fair value through other comprehensive income: breakdown

Transactions/Income items	Impairment losses (1)			Value recoveries (2)		Total 2020 (1) - (2)	Total 2019
	Stage 1 and 2	Stage 3		Stage 1 and 2	Stage 3		
		Write-off	Other				
A. Debt Securities	-	-	-	350	-	(350)	(157)
B. Loans	-	-	-	-	-	-	-
- to customers	-	-	-	-	-	-	-
- to banks	-	-	-	-	-	-	-
of which: acquired or originated impaired financial assets	-	-	-	-	-	-	-
Total	-	-	-	350	-	(350)	(157)

8.2a Net impairment losses on credit risk associated with financial assets at fair value through other comprehensive income subject to COVID-19 support measures: breakdown

At 31 December 2020 there were no financial assets at fair value through other comprehensive income subject to COVID-19 support measures.

Section 9 – Net modification gains (losses) - Item 140

At 31 December 2020, the item had a negative balance of 185 thousand euros. At 31 December 2019, the item had a positive balance of 7 thousand euros.

Section 10 - Administrative expenses - Item 160

10.1 Personnel expenses: breakdown

Type of expenses/Amounts	Total 2020	Total 2019
1) Personnel employed	20,299	18,070
a) wages and salaries	15,094	13,314
b) social security charges	3,912	3,432
c) termination indemnities	642	606
d) welfare charges	-	-
e) provisions for termination indemnities	4	8
f) provisions for post employment benefits:	-	-
- defined contribution plans	-	-
- defined benefit plans	-	-
g) payments to external pension funds:	259	256
- defined contribution plans	259	256
- defined benefit plans	-	-
h) costs from share based payments	-	-
i) other benefits in favour of employees	388	454
2) Other non-retired personnel	412	349
3) Directors and statutory auditors	775	771
4) Early retirement costs	-	-
5) Expenses recovered for employees seconded with other companies	-	-
6) Expense reimbursements for third party employees seconded with the company	-	-
Total	21,486	19,190

Personnel expenses rose by 2,296 thousand euros. The increase is mainly attributable to the activation of the incentive system not present last year.
Item 1) e) does not include the actuarial gain referred to IAS provisions for termination indemnities of 50 thousand euros (actuarial loss of 74 thousand euros in 2019), recognised - net of the tax effect - among Valuation reserves.

10.2 Average number of employees by category

	2020	2019
Personnel employed	189	184
(a) senior managers	32	29
(b) executives	88	87
(c) rest of personnel employed	69	68
Other personnel	13	12

10.4 Other benefits in favour of employees

Benefits in favour of employees amount to 388 thousand euros (versus 454 thousand euros last year) and concern luncheon vouchers, collective health care policies, professional training, cars and other benefits.

Following the introduction of IFRS 16, lease payments relating to benefits assigned to employees (company car and employee accommodation) are no longer recognised under this item, but instead the amortisation charges of the right of use are recognised.

10.5 Other administrative expenses: breakdown

Type of expenses/Amounts	Total 2020	Total 2019
Rentals and condominium fees	267	292
Membership fees	179	176
EDP materials	21	26
Stationery and printing supplies	20	39
Consultancy and outsourced professional services	1,188	1,528
Outsourcing services	2,254	2,046
Auditing company fees	139	184
Maintenance	182	142
Utilities and connections	1,464	1,478
Postal, transport and shipment fees	19	28
Insurance companies	64	58
Advertising, publications and sponsorship	275	190
Office cleaning	210	189
Books, newspapers and magazines	42	44
Entertainment expenses	178	460
Travel expenses and mileage based reimbursements	43	157
Other duties and taxes	4,383	4,568
Security charges	223	209
Contributions to National Resolution Fund	1,102	923
Other	303	357
Total	12,556	13,094

The other administrative expenses fell by 538 thousand euros compared to 2019.

Following the introduction of IFRS 16, lease payments relating to other administrative expenses are no longer recognised under this item, but instead the amortisation charges of the right of use of 1,784 thousand euros are recognised.

The other administrative expenses include recoveries from customers of some costs allocated under Other operating income/expenses.

* * *

Auditing company fees

In accordance with the requirements of art. 149-duodecies of Consob Resolution no. 15915 of 3 May 2007, we list the fees paid for 2020 for the various services provided to Banca Finnat Euramerica S.p.A. by the auditing firm and entities part of the same networks.

	Party who provided the service	Payment due in 2020 (in thousands of euros)
Auditing services	KPMG S.p.A.	92
	EY S.p.A.	8
Other services	EY Advisory S.p.A.	16
	EY S.p.A.	35
Total		151

The audit includes the auditing of financial statements, the consolidated financial statements, the consolidated half-yearly report as well as the accounting auditing.

Payments for the audit do not include VAT, expense reimbursements and supervisory contribution. The total charge, including these items, amounts to 139 thousand euros.

The other services (not including VAT) refer to: i) risk management consultancy for 16 thousand euros; ii) release of the annual report, referring to 2019, concerning the safeguards adopted by the Bank with regard to the deposit and sub-deposit of customer assets in the context of the provision of investment services and activities for 35 thousand euros (as established by art. 23, paragraph 7 of the "Implementing Regulation of articles 4-undecies and 6, paragraph 1, letters b and c-bis, of the Consolidated Financial Law", adopted with a provision of the Bank of Italy dated 5 December 2019, this annual report must be issued by the person in charge of the audit for the reference year).

Section 11 - Net reversals of (accruals to) provisions for risks and charges - Item 170

11.1 Net reversals of (accruals to) provisions for credit risk relating to commitments and guarantees given: breakdown

	Value recoveries	Impairment losses	Total 2020
Commitments to lend funds	-	107	(107)
Financial guarantees given	-	37	(37)
Total	-	144	(144)

The item at 31 December 2019 had net impairment losses equal to zero.

11.3 Net reversals of (accruals to) provisions for credit risk relating to other: breakdown

	Total 2020	Total 2019
Allocations	(67)	-
Utilisation	-	682
Total	(67)	682

Both items of Section 11, are commented in Section 10 - "Provisions for risks and charges - Item 100" of the liabilities in the statement of financial position.

Section 12 – Depreciation and net impairment losses on property, equipment and investment property - Item 180

12.1 Depreciation and net impairment losses on property, equipment and investment property: breakdown

Assets/Income items	Depreciation (a)	Impairment losses on impairment(b)	Value recoveries (c)	Net income (a+b-c)
A. Tangible assets				
1. used in operations	2,299	-	-	2,299
- owned	322	-	-	322
- Rights of use acquired through leases	1,977	-	-	1,977
2. Investment property	X	-	-	-
- owned	-	-	-	-
- Rights of use acquired through leases	-	-	-	-
3. Inventory	-	-	-	-
Total	2,299	-	-	2,299

The item Rights of use acquired through leases refers to depreciation relating to employee benefits of 193 thousand euros and other administrative expenses of 1,784 thousand euros.
At 31 December 2019, depreciation stood at 2,318 thousand euros (of which 1,997 thousand euros relating to leases).

Section 13 - Amortisation and net impairment losses on intangible assets - Item 190

13.1 Amortisation and net impairment losses on intangible assets: breakdown

Assets/Income items	Amortisation (a)	Impairment losses on impairment(b)	Value recoveries (c)	Net income (a+b-c)
A. Intangible assets				
1. owned	87	-	-	87
- internally generated by the company	-	-	-	-
- other	87	-	-	87
2. Rights of use acquired through leases	-	-	-	-
Total	87	-	-	87

At 31 December 2019, amortisation stood at 59 thousand euros.

Section 14 - Other operating income, net - Item 200

14.1 Other operating expense: breakdown

	Total 2020	Total 2019
Amounts reimbursed to customers	37	8
Amortisation for improvements to third party assets	55	37
Other expenses	4	45
Total	96	90

14.2 Other operating income: breakdown

	Total 2020	Total 2019
Rental income	143	150
Recovery of stamp duty	3,804	4,138
Recovery of substitute tax	149	134
Recovery of other expenses	365	294
Dividend and prescription waiver	253	241
Other income	56	146
Total	4,770	5,103

The recoveries of costs from customers amounting to 4,318 thousand euros (4,566 thousand euros at 31 December 2019).

Other operating income and expenses show a positive balance of 4,674 thousand euros versus 5,013 thousand euros at 31 December 2019.

Section 15 - Net loss on equity investments - Item 220

15.1 Net loss on equity investments: breakdown

Income items/Amounts	Total 2020	Total 2019
A. Income	-	-
1. Revaluations	-	-
2. Profit from disposals	-	-
3. Value recoveries	-	-
4. Other income	-	-
B. Expense	73	1,558
1. Write-downs	-	-
2. Net losses on impairment	73	1,558
3. Losses from disposals	-	-
4. Other expense	-	-
Net income	(73)	(1,558)

Item B.2 Net losses on impairment refers to the impairment charged on the associate Imprebanca S.p.A. The previous year impairment losses related to the associate Previra Invest S.p.A. in liquidation for 48 thousand euros, to the joint ventures Aldia for 910 thousand euros and Liphe for 600 thousand euros.

Section 19 – Income taxes - Item 270

19.1 Income taxes: breakdown

Income items/Amounts		Total 2020	Total 2019
1.	Current taxes (-)	(1,069)	1,006
2.	Changes in current taxes compared with previous years (+/-)	1	(186)
3.	Reduction in current taxes (+)	-	-
3.bis	Reduction in current taxes for tax receivables per Italian Law no. 214/2011 (+)	-	-
4.	Change in deferred tax assets (+/-)	(181)	182
5.	Change in deferred tax liabilities (+/-)	56	(13)
6.	Income taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)	(1,193)	989

Current taxes relate to IRES from tax consolidation for 677 thousand euros and IRAP for 392 thousand euros.
The change in deferred tax assets and liabilities is equal to the difference between those calculated on an accrual basis in the current year and those accounted for in previous periods and cancelled during the year. The change in deferred tax assets and deferred tax liabilities came to 125 thousand euros.

19.2 Reconciliation of theoretical tax charge to total income tax expense for the year

	2020		
	IRES	**IRAP**	**Total**
Pre-tax profit (loss)	6,774	6,774	
Applicable tax rate	24.00	5.57	29.57
THEORETICAL TAX CHARGE	(1,626)	(377)	(2,003)
3.5% IRES surtax for credit and financial institutions	(237)		(237)
THEORETICAL GLOBAL TAX CHARGE	(1,863)	(377)	(2,240)
Effect of income that is exempt or taxed with concessional rates	1,261	1,420	2,681
Effect of charges that are fully or partially non-deductible	(182)	(226)	(408)
Effect of income/charges that are not included in the IRAP taxable income	-	(1,227)	(1,227)
Changes in current taxes compared with previous years	1	-	1
CURRENT TAX CHARGE	(783)	(410)	(1,193)

Section 22 - Earnings per share

22.1 Average number of ordinary shares with diluted capital

The basic and diluted earnings (loss) per share are given below, in accordance with IAS 33.

The basic earnings (loss) per share are calculated by dividing the net income (in euro) of the holders of the Bank's ordinary shares (the numerator) by the weighted average of the ordinary shares outstanding during the period (the denominator).

For the purpose of calculating the basic earnings (loss) per share, the weighted average of the ordinary shares outstanding during the period is calculated based on the ordinary shares outstanding at the beginning of the period, adjusted by the amount of ordinary shares purchased or issued or sold during the period multiplied by the number of days that the shares were outstanding, in proportion to the total days in the period. Shares outstanding do not include treasury shares.

The diluted earnings (loss) per share is calculated by adjusting the earnings (loss) of ordinary shareholders, and likewise the weighted average of the shares outstanding, to take account of any impact by circumstances with diluted effects.

The following table shows the basic earnings (loss) per share.

	31/12/2020	31/12/2019
Profit (loss) for the year (in Euro)	5,580,772	777,688
Weighted average of ordinary shares	334,069,360	334,069,360
Basic earnings (loss) per share	0.016705	0.002328

The following table shows the diluted earnings (loss) per share.

	31/12/2020	31/12/2019
Profit (loss) for the year (in Euro)	5,580,772	777,688
Weighted average of ordinary shares	334,069,360	334,069,360
Basic earnings (loss) per share	0.016705	0.002328

Since the Bank has no transactions under way that might determine changes to the number of shares outstanding and the earnings (loss) of ordinary shareholders, the diluted earnings (loss) per share coincides with the basic earnings per share and it is unnecessary to perform the reconciliation provided for by paragraph 70 of IAS 33.

22.2 Other information

At the end of the reporting period, no financial instruments that could lead to the dilution of the basic earnings (loss) per share had been issued.

Part D - Statement of comprehensive income

Analytical statement of comprehensive income

		2020	2019
10.	**Profit for the year**	**5,581**	**778**
	Other comprehensive income that will not be reclassified to profit or loss	**2,813**	**5,240**
20.	Equities at fair value through other comprehensive income:	2,871	5,446
	a) changes in fair value	2,871	5,446
	b) Transfers to other equity components	-	-
30.	Financial liabilities at fair value through profit or loss (changes of own credit rating):	-	-
	a) changes in fair value	-	-
	b) Transfers to other equity components	-	-
40.	Hedges of equities at fair value through other comprehensive income:	-	-
	a) changes in fair value (hedged instrument)	-	-
	b) changes in fair value (hedging instrument)	-	-
50.	Property and equipment	-	-
60.	Intangible assets	-	-
70.	Defined benefit plans	50	(73)
80.	Non-current assets held for sale and discontinued operations	-	-
90.	Share of valuation reserves connected with investments carried at equity	-	-
100.	Income taxes relating to other comprehensive income that may not be reclassified to the income statement	108	133
	Other comprehensive income that will be reclassified to profit or loss	**1,077**	**8,112**
110.	Foreign investment hedge:	-	-
	a) changes in fair value	-	-
	b) reclassification to the income statement	-	-
	c) other changes	-	-
120.	Foreign exchange differences:	-	-
	a) changes in value	-	-
	b) reclassification to the income statement	-	-
	c) other changes	-	-
130.	Cash flow hedge:	-	-
	a) changes in fair value	-	-
	b) reclassification to the income statement	-	-
	c) other changes	-	-
	of which: result of net positions	-	-
140.	Hedging instruments (non-designated elements):	-	-
	a) changes in value	-	-
	b) reclassification to the income statement	-	-
	c) other changes	-	-
150.	Financial assets (other than equity instruments) at fair value through other comprehensive income:	1,810	12,246
	a) changes in fair value	2,208	11,368
	b) reclassification to the income statement	(398)	878
	- impairment losses on credit risk	(350)	(157)
	- profits/losses from disposal	(48)	1,035
	c) other changes	-	-
160.	Non-current assets held for sale and discontinued operations:	-	-
	a) changes in fair value	-	
	b) reclassification to the income statement	-	-
	c) other changes	-	-
170.	Share of valuation reserves connected with investments carried at equity:	-	-
	a) changes in fair value	-	-
	b) reclassification to the income statement	-	-
	- losses on impairment	-	-
	- profits/losses from disposal	-	-
	c) other changes	-	-
180.	Income taxes relating to other comprehensive income that may be reclassified to the income statement	733	4,134
190.	**Total other comprehensive income**	**3,890**	**13,352**
200.	**Comprehensive income (Items 10+190)**	**9,471**	**14,130**

Item 20. includes the negative change in the fair value of the investments in subsidiaries for a total net amount of 1,898 thousand euros.

The positive change in Item 20. Equities at fair value through other comprehensive income, of 2,871 thousand euros, is attributed as follows:

(+) 1,898 thousand euros to changes in fair value (gross of taxes) of equity investments in subsidiaries: InvestiRE SGR S.p.A. for +3,044 thousand euros, Finnat Fiduciaria S.p.A. for -1,200 thousand euros, Finnat Gestioni SA for - 370 thousand euros and Natam Management Company SA for + 424 thousand euros.

(+) 973 thousand euros to changes in fair value (before taxes) of the other equities (of which Fideuram Investimenti S.p.A. for +978 thousand euros, CSE S.r.l. for -50 thousand euros, Net Insurance for +1 thousand euros and Real Estate Roma Olgiata Srl for +44 thousand euros);

The positive change in item 150. Financial assets (other than equities) at fair value through other comprehensive income (before taxes) of 1,810 thousand euros is mainly due to the Government bonds.

At the end of the year, the valuation reserves (after taxes) are as follows:

Equity investments in companies measured at fair value		
InvestiRE SGR S.p.A.	43,783	euros
Finnat Fiduciaria S.p.A.	2,483	euros
Natam Management Company S.A.	1,723	euros
Finnat Gestioni S.A.	5,101	euros

Total A)	53,090	euros
Financial assets at fair value through other comprehensive income		
SIA S.p.A. shares	4,774	euros
Fideuram Investimenti SGR S.p.A. shares	910	euros
CSE S.r.l. shares	-44	euros
Net Insurance S.p.A. shares	129	euros
Real Estate Roma Olgiata S.r.l.	-443	euros
Debt securities	1,450	euros

Total B)	6,776	euros
Defined benefit plans C)	-217	euros

Total (A+B+C)	59,649	euros
	==============	

Valuation reserves amount to 61,013 thousand euros and comprise, in addition to what is detailed above, also the valuation reserves per Law no. 576/75, Law no. 72/83 and Law no. 413/91, totalling 1,364 thousand euros.

Part E - Information on risks and related hedging policies

Foreword

The Bank carries out their activities according to criteria of prudence and reduced exposure to risks, applying the principle of sound and prudent management.

The Bank defined the risk appetite by incorporating in the Risk Appetite Framework, the risk objectives and respective limits, within which the Bodies implement the strategic guidelines based on the mission and the growth objectives assigned. The thresholds determined are calibrated so as to recognise and take action on any gradual deterioration in the risk and solidity profile of the Group. The pillar I "mandatory" limits, on the ratios between the regulatory risk measures and own funds, are defined consistently with the Supervisory provisions. By contrast, the management limits refer to the system of risk limits that the Bank has introduced and developed over time and which it has governed in the respective internal regulations.

In the Risk Appetite Framework (RAF) document, the Bank defined the risk appetite, the tolerance thresholds and the limits that can be assumed, in accordance with the Recovery Plan and the Planning and Budget process. More specifically, a system of limits was rolled out as a management tool aimed at governing the assumption of risks and overseeing the return to normal conditions if the threshold values are exceeded. The tolerance perimeter was also defined within the RAF, deriving from the evaluations conducted under stress conditions, as well as the operating methods of monitoring and the protocols which can be activated in the event the trend in the risk profile involves a situation whereby the level corresponding to the maximum deviation permitted by the Risk Appetite Framework is exceeded.

A significant role is also played by the ICAAP/ILAAP report for the purposes of management and monitoring of risks, drafted on an annual basis by the Banca Finnat Group in compliance with the guidelines of the European Banking Authority and the provisions of the Bank of Italy.

The preparation of the ICAAP/ILAAP report, regulated by internal procedures and carried out by the Group's corporate bodies and appointed structures, is the last stage in the much broader and ongoing self-assessment process regarding capital adequacy and its compliance with the RAF, the Group's operational features and the environment in which it operates.

Based on the Supervisory provisions, the Bank also carefully monitors its liquidity risk, according to the method formalised in the appropriate documents approved by the Board of Directors, and periodically performs stress tests on the credit, market, concentration and interest rate risk. The Board of Directors evaluated the results of the analysis.

In compliance with Directive 2014/59/EU - Bank Recovery and Resolution Directive (BRRD), transposed by the Italian Parliament with Legislative Decrees 180 and 181/2015, the Bank prepared and sent the Group Recovery Plan to the Supervisory Authorities in June 2020, after approval by the Board of Directors of the Bank. The document was prepared in compliance with the implementing provisions contained in Title IV, Paragraph 01-I of the Italian Consolidated Law on Banking and with Title IV, Paragraph I-bis of the Italian Consolidated Financial Law (Law pertaining to restructuring plans).

Section 1 - Credit risk

Qualitative information

1. General aspects

The Bank defined the credit risk as the risk to incur losses due to the unexpected worsening of the creditworthiness of a customer, also following contractual default. The credit risk can be broken down into:

- default risk: risk that the borrowing counterparty is unable to meet its own obligations;
- spread/migration risk: risk of change in the counterparty's credit rating that determines an effect on the market value of the credit position;
- recovery risk: risk that the recovery actually achieved at the end of the liquidation of a counterparty's assets becomes insolvent is lower than what was originally estimated by the bank.

The credit risk of the Bank is continuously monitored by the Risk Control Function of the Parent Company, by the Credits Department, by the Credits Committee and by the other assigned functions.
For the quantification of the current internal capital on credit risk, the standardised methodology for determining the prudential capital requirements per Regulation EC 575/2013 is used.

Impacts resulting from the COVID-19 pandemic

Following the spread of the COVID-19 pandemic, the Bank allowed its customers who requested it and had the required requisites, to take advantage of the moratoriums provided for by the Cura Italia Decree.
The Bank has also implemented a voluntary commercial initiative with performing customers aimed at suspending the payment of the principal amount of mortgages and other loans with repayment in instalments. The suspension has a maximum duration of 12 months for companies and 6 months for individuals, extending the duration of the loan by the corresponding period; this initiative was aimed at all customers whose debt exposures are not classified as impaired credit exposures.

2. Credit risk management policies
2.1 Organisational aspects
The Bank's strategy, which has always been directed at optimising customer relationship, is oriented to perform high value added financial services to high standing customers, with the goal of securing their loyalty.

With this view, the Bank intends to offer to customers or potential customers, in addition to services of primary interest, such as those relating to private banking, to investment banking, fiduciary and financial consultancy, also credit facilities to build long-term relationships. For the performance of assets entailing the assumption of credit risk, the Bank has adopted a dedicated Credit Regulation, formalising the processes and the criteria to be applied to the issue of new loans or in the concession of credit facilities consistently with the credit policies and corporate strategic guidelines.

The credits issued by the Bank can be mainly classified in the following categories:

- loans to customers and to banks (typically irrevocable credit line on demand and at maturity and mortgages requiring fixed or otherwise determinable payments);
- trade receivables;
- repurchase agreements.

After their initial recognition, receivables are designated at their amortised cost, which is equal to the initial recognition value reduced/increased by capital repayments, by any impairment losses/value recoveries and by the amortisation calculated with the effective interest rate method.

In order to mitigate credit risk and avoid situations that would imply losses and write-downs on the loan portfolio, the Bank carries out credit activities that privilege receivables "guaranteed" by collateral securities or those guaranteed by liens on securities, asset management and property mortgages. Well-known customers are occasionally granted credit lines based on the creditworthiness of the customer in question.

Moreover, the company structure and organisation - which are characterised by the reduced size and accurate formalisation of credit line/loan disbursement procedures - enable to offer customers primary services, granted with rapid appraisal processes.

The operating strategy adopted by the Bank and outlined above ensured that:

- transactions carried out have low-risk exposures;
- the amount of bad loans (net of value impairment losses) is contained to a percentage of roughly 1% of total loans to customers included in table A.1.1 Breakdown of credit exposures by portfolio classification and credit quality shown in the next few pages;
- lending activities provide positive image and prestige feedback for the Bank, with a positive impact on "traditional" activities.

2.2 Management, measurement and control systems

The valuation of credit risk and creditworthiness of customers is carried out by delegated bodies, which operate by means of proper proxies. The delegated bodies receive all information necessary to evaluate the creditworthiness of the customers, so that they can readily express their opinion on credit line transactions.

The Bank's credit process is illustrated below.

<u>Evaluation of the creditworthiness of credit line applicants</u>

Creditworthiness evaluation, which is performed according to a specific procedure, is mainly aimed at verifying that credit line applicants have the ability to reimburse as well as verifying the compatibility of the individual credit line applications and the company's strategies with regard to the chosen size and breakdown of the credit portfolio.

The company functions that are involved in the creditworthiness assessment procedure act as follows:

- they accept the loan application of customers;
- they gather the documents required to examine the asset, financial and economic situation of the loan applicant and any guarantor to start filling in all the credit line forms;
- they analyse the qualitative information concerning the new customers and update the information of former customers whose creditworthiness has already been assessed;
- they verify the reliability of the data included in the document and in the information required;
- they formulate, by reference to the files set up, a creditworthiness score of the loan applicant;
- they examine all the various relationships that the Bank has in place with the same loan applicant, both credit and debit ones, and compare loans granted with guarantees offered and guarantees received with proposed guarantors;
- they prepare a summary of the assessments based on the creditworthiness of the customer and formulate an opinion with regard to the amount of the loan that could be granted, the technical use of the loan by the customer, and specify the guarantees to be received based on both qualitative and quantitative information.

The Bank also carries out a qualitative assessment of the credit exposures on the basis of a managerial internal rating system offered by the outsourcer CSE that allows to classify customers, dividing them into risk classes to which correspond different probabilities of default.

For the assessment of the creditworthiness and the connected division into rating classes, the main areas of investigation cover the analysis of the data listed below:

- internal performance data;
- system performance data (report from central credit register);
- financial statement information (central financial statement archives);
- socio-demographic information.

Variables are estimated individually on the areas of investigation and subsequently integrated in the final model, separately for individuals and enterprises.

Credit granting

Credit granting is performed by the Deliberative Body, taking all the reasons supporting the definition of the amount that could be granted and the guarantees requested into due consideration, based on the risk inherent in the transaction. Once the loan proposal has been positively resolved upon:

- the guarantees are obtained and the loan granting process takes place;
- the credit line/loan is granted;
- the transaction is implemented in the IT system so that it can be regularly verified: instalments due, review of the interest rate, if contractually provided for, and/or of the associated guarantees.

Management of anomalous loans

The management of anomalous loans is carried out through a careful and periodic analysis of expired positions by the company functions responsible, the Credits Committee and with the supervision of the General Management. In particular, the General Management of the Bank and the functions concerned receive, at a predetermined frequency, appropriate reports containing the trend of non-performing loans, broken down by customer with or without loans.

"Non-performing" loans, net of write-downs, amounted in total to 21,523 thousand euros, of which 11,518 thousand euros were bad loans, 9,832 thousand euros were unlikely to pay and 173 thousand euros were past due exposures.

To this end, it should be stressed that non-performing loans after impairment losses at 31 December 2020 accounted for roughly 1.7% of the total amount of the item loans to customers detailed in table A.1.1 Breakdown of credit exposures by portfolio classification and credit quality reported below.

Carrying out stress tests

The Bank performs stress tests every six months on credit risk in order to quantify the absorption of capital and to determine the related capital ratios. The methodologies adopted for conducting the stress test on the credit and counterparty risk assumes two different stress scenarios occurring at the same time which are due to an increase in bad loans and non-performing loans and a reduction in the value of the collateral securities held.

2.3 Methods for measuring expected losses

The criteria and rationale used for the purposes of determining expected losses are described in the ECL Policy of the Bank, whose scope of application consists of financial and trade receivables, as well as owned financial instruments, to verify and assess their creditworthiness.

The amount of expected losses depends on the extent of the impairment of the credit quality with respect to the initial recognition and takes into account the guarantees held to mitigate the credit risk.

Consistently with the provisions of IFRS 9, the Bank has adopted the following approach for calculating impairment:
- 12-months expected credit losses (Stage 1): if, at the reporting date, the credit risk of a financial instrument is not significantly increased with respect to the date of "first recognition", the Bank measures the losses for this financial instrument as the amount equal to the losses expected in the following 12 months;
- Lifetime expected credit losses (Stage 2): at each reporting date, the Bank measures the losses for a financial instrument as the amount equal to lifetime expected losses if the credit risk of this instrument increased significantly with respect to the date of first recognition.

Concerning the staging rules and the criteria for the recognition of credits in the respective "buckets", reference is made to the Staging Allocation Policy approved by the Board of Directors.
In accordance with the provisions of IFRS 9, the model entails the calculation of a provision at each cash flow date of the loan to carry out a "multi-period" final totalisation. In case of loans at maturity, a calculation is made at each future instalment, while for on-demand loans a single calculation is made relating to the cash flow at the maturity date.
For each period, the calculation is as follows:
•ECL(t) = EAD(t) * LGD(t) * PD marginal(t) * DF(t)
•ECL(t) = contribution to the provision of period t (from initial date of validity to date of maturity).
The first period (first instalment for items at maturity or all those on demand) always starts from the date of calculation of the provisions.
•t = cash flow maturity date
•EAD(t) = exposure at date t; amortised cost for loans at maturity, balance for loans on demand
•LGD(t) = lgd at time t obtained with IFRS 9 logic
•PD marginal(t) = PD cumulated(t) - PD cumulated (t-1) derived from the PD lifetime curves for the segment and the class associated with the counterparty
•DF(t) = discount at time t calculated at IRR (internal rate of return) on a 360 basis
The expected credit loss of the financial instruments represented by securities is drawn up by a leading specialised external company and provided, for each financial instrument, through management applications. The information flow has quarterly periodicity and the organisational units apply the rules prescribed in the Staging Allocation Policy for classification in the correct reference bucket. Default probability measures are extracted from quoted credit spreads and thus have an information content able to summarise the expectation of occurrence of future events incorporated by the market (forward looking measures). The probability of default and the LGD are estimated for each individual issuer and associated with the respective issues, providing a differentiation by level of subordination (senior and subordinate issues).

The default probability term structure for each issuer is estimated starting from the information and from the credit spreads quoted daily on the financial markets (i.e. CDS spreads and bond prices). Specific credit spread of individual issuers are preferentially used; in this context, a credit spread is considered specific when it can be directly referred to the "risk group" to which the measured issuer belongs. If, for a given issuer, equally significant specific credit spreads are available on multiple markets, the market used preferentially is that of the CDS.

The individual issuers are mapped to the comparable issuer or to the reference cluster on the basis of the following axes of analysis:
- industrial sector,

- geographic area of interest,
- rating (ECAI),
- analysis of the fundamental financial statement data.

For financial instruments, the loss given default is assumed to be constant throughout the time horizon of the financial asset analysed and it is a function of two factors:
-ranking of the instrument;
- classification of the country of the issuer entity.

For countries considered to be developed, the LGD is set to 0.6 for senior issues and 0.8 for subordinate issues. For covered issues, the value changes with changes in the rating attributed to the individual security in question. Otherwise for emerging countries for equal subordination the level of the LGD is higher, as senior issues shall be subject to an LGD of 0.75 and subordinate issues to an LGD of 1.

Scenarios

The impairment model adopted by the Bank, in observance of the provisions of IFRS 9, envisages the use of "forward looking scenarios" which are identified in the form of a "baseline scenario", "up scenario" and "down scenario", with a probability of occurrence associated to each one. In compliance with the principle of proportionality, also dictated by the low volumes of credit exposures, the Bank has adopted models and scenarios drawn up by a leading specialised external provider.

The scenarios contain forecasts on the main macroeconomic variables, the probability of occurrence of the scenarios is 90% for the "base scenario" and 5% for the "UP scenario" and the "Down scenario".

During the 2020 financial year, starting from the half-year report drawn up at 30 June, the Bank updated the macroeconomic scenarios to immediately consider the impacts of the pandemic within the forward looking information.

With the objective of carrying out a sensitivity analysis on the provision for the purposes of IFRS 9 (loans to customers and due from banks in stage 1 and stage 2), the Bank conducted an estimate in the assumption of the total adoption of a Down scenario (probability of 100%) on the curves used to calculate impairment at 31 December 2020. The analyses show that an increase in the provision would be recorded amounting to roughly 300 thousand euros, an amount that, in percentage terms, accounts for 10% of the total generic impairment losses on loans to customers and due from banks in stage 1 and stage 2.

Changes due to Covid-19

To determine the collective write-down of performing positions, the bank, as in previous years, used the consortium model developed by the IT outsourcer in accordance with IFRS 9, which takes into account the updating of the historical series of risk parameters and macroeconomic factors based on the latest available forecasts.

<u>Assessment of the significant increase in credit risk (SICR)</u>

The Bank assessed any increase in credit risk using current and prospective reasonable and sustainable information at the date of preparation of these financial statements. Furthermore, on the occasion of the introduction of the support measures for businesses consisting of the State guarantee on bank loans, an LGD was considered that takes into account their presence. The economic support measures put in place by the Government to support debtors in response to COVID-19 were not considered as measures automatically triggering a SICR.

Measurement of expected losses

As regards the information on the adjustments made to the expected loss measurement models, as previously specified, the Bank uses the estimation model implemented by the IT outsourcer which incorporates the macroeconomic scenarios, implemented by a primary supplier; for the purpose of calculating the impairment, these scenarios weigh: base scenario at 90%, up scenario at 5% and down scenario at 5%. Details of the main scenario used (base scenario) are shown below.

BASE SCENARIO

		2019	2020	2021	2022	2023	2024
Brent oil: $ per barrel	level	64.00	43.00	45.00	46.00	52.00	60.00
Dollar euro exchange rate	level	1.12	1.14	1.13	1.14	1.15	1.15
EMU refinancing rate	level %	0.00	0.00	0.00	0.00	0.00	0.00
10Y Bund interest rate	level %	-0.24	-0.48	-0.48	-0.42	-0.23	0.22
Spread 10Y BTP-Bund	level %	2.16	1.73	1.59	1.39	1.21	1.18
Developing countries GDP	% change	3.70	-5.00	6.00	4.10	4.20	4.00
US GDP	% change	2.20	-4.20	3.90	2.60	2.10	1.90
EMU GDP	% change	1.30	-8.00	5.30	2.80	1.80	1.40
Italy stock index	% change	-0.40	-6.10	2.50	18.30	0.80	1.10
Italy GDP	% change	0.30	-9.60	6.20	2.80	1.80	1.30
FOB imports of goods and services	% change	-0.20	-14.00	15.10	8.50	4.60	4.20
Expenditure by resident families and Isp	% change	0.40	-10.60	5.70	2.80	1.70	1.50
Public administrations expense	% change	-0.40	0.20	2.60	0.20	0.00	-0.30
Investments in construction	% change	2.60	-10.80	13.50	7.00	2.60	2.50
Investments in machinery, equipment, products, various, mt	% change	0.40	-14.20	7.90	13.00	6.40	4.10
FOB exports of goods and services	% change	1.40	-16.90	15.40	4.30	2.90	3.10
Consumption propensity	level %	92.30	85.20	88.80	90.10	91.00	91.70
Consumer prices	% change	0.60	-0.10	0.70	1.10	1.50	1.70
Unemployment rate	level %	60.80	59.70	59.80	60.50	61.20	61.70
Unemployment rate	level %	9.90	9.80	11.30	10.80	10.30	9.90

BASE SCENARIO

		2019	2020	2021	2022	2023	2024
Total loans adjusted for disposals	% change	0.60	4.60	1.90	2.20	1.90	1.70
Total loans	% change	-1.90	3.10	1.20	1.50	1.40	1.40
Loans to non financial institutions	% change	-7.00	8.00	-0.70	0.80	0.70	0.60
Loans to households	% change	0.70	-0.20	3.60	2.80	2.60	2.50
Bad Loans	% change	-27.40	-23.40	-4.20	-13.20	-12.40	-11.60
Households, (total assets, stocks)	% change	5.20	0.20	4.20	3.10	2.10	2.00
- liquidity portion	level %	32.90	34.30	33.40	32.70	32.10	31.50
- securities portion	level %	6.10	6.10	5.60	5.20	4.90	4.70
- mutual funds unit	level %	10.80	10.90	11.40	11.80	12.20	12.50
- technical reserves portion	level %	25.30	25.80	25.80	26.10	26.50	26.80
- shares and equity investments portion	level %	21.80	19.70	20.40	21.00	21.10	21.20
Average interest rate on loans	level %	2.55	2.38	2.33	2.35	2.36	2.46
3-month EMU interbank rate	level %	-0.33	-0.40	-0.47	-0.44	-0.40	-0.27
3Y EURIRS interest rate	level %	-0.26	-0.38	-0.51	-0.46	-0.34	-0.03
10Y EURIRS interest rate	level %	0.26	-0.10	-0.11	-0.02	0.17	0.58
3Y BTP interest rate	level %	0.53	0.26	-0.09	-0.19	-0.15	0.17
10Y BTP interest rate	level %	1.91	1.25	1.11	0.96	0.98	1.39

2.4 Credit risk mitigation techniques

Credit risk mitigation techniques are an instrument to reduce or transfer part of the credit risk on the exposures originated and to reduce the loss that would be incurred in case of counterparty default (Loss given default).

Credit risk mitigation is carried out by privileging mainly transactions guaranteed by collateral securities. Credit lines and disbursements are granted, by the corporate bodies, only after a careful analysis of the creditworthiness and the validity and consistency of the guarantees given. Guarantees shall be explicit and not subject to conditions, as prescribed by the Supervisory Instructions.

The collateral most used by the Bank consists of mortgages on residential and non-residential properties, lines on financial instruments and on liquidity. With the objective of identifying and preventing the deterioration of the value of the guarantees held, on the collateral, the estimated or appraised value of the asset (net of any encumbrances) or the market value, in the case of listed securities, is monitored. For property assets pledged as collateral, and subject to value oscillations, a "deviation" is applied on the value as such subjected to periodic revisions and otherwise every time there are sensitive contractions on their price. In relation to mortgages, the value of properties is periodically revised. For this purpose, the Bank relies on third parties with proven experience on the basis of the provisions of Article 120-duodecies of the Consolidated Law on Banking.

In case of personal guarantees received, the guarantor shall take on the legally binding commitment to meet the obligations relating to one or more credit issues pertaining to a determined party. With reference to "comfort letters", the only ones to be considered are those that are not declarative of the equity investment relationship of the parent company, but for which the guarantee function is pre-eminent, because the commitment made can actually represent a surety obligation, with accessory character with respect to the main one of the subsidiary.

3. Non-performing credit exposures

3.1 Management strategies and policies

The classification of impaired financial assets in the various categories of "default" takes place in compliance with the instructions issued by the Supervisory Authority as indicated in Bank of Italy's Circular 272 of 2008 (and subsequent updates). Loans classified as bad loans are subject to an analytical assessment process by the Credits Committee, the Credits Department and the Risk Management Function which analyse the position and the Guarantees held in order to estimate their presumed realisable value. The analysis carried out follows criteria clearly defined in the company Policies. Within this context, the recovery times are also established, so-called Time value on bad loans. UTP and Past due loans, in accordance with IFRS 9, are subjected to a process of valorisation of the provision that incorporates the forward looking valuation.

In consideration of the small number of positions classified as past due or UTP, and with the goal of making a valuation that is as refined as possible, the Bank also carries out itemised assessments of past-due and UTP loans using the same logic prescribed for loans classified as bad loans, when peculiarities are identified that make itemised valuation more reliable than statistical valuation.

The monitoring of receivables to customers carried out by the Risk Control Organisation Unit, which, with the support of automated IT instruments, prepares on an established basis appropriate reports for the Senior Management. Subsequent measurement and classification of non-performing loans are carried out by special committees set up within the Bank, which assess each time single credit exposures, the customers' creditworthiness, guarantees and all other relevant factors that may affect the assessment of credit exposures.

With reference to bad loans, management is carried out by the Legal Department for the collection activities.

3.2 Write-off

A write-off is an event that gives rise to derecognition when there no longer are any reasonable expectations to recover the financial asset. It can take place before legal actions to recover the financial asset have been exhausted and it does not necessarily entail the waiver of the bank's legal right to recover the receivable.

The write-off can involve the entire amount of a financial asset or a portion thereof, and corresponds:

- to the reversal of total impairment losses, as a corresponding item of the gross value of the financial asset, and
- for the part exceeding the amount of the total impairment losses, to the impairment of the financial asset recognised directly in the income statement.

Any amounts recovered from collection after write-off are recognised in the income statement among value recoveries.

The term "Total write-offs" means the cumulated amounts of the partial and total write-offs on financial assets.

During the financial year ended 31 December 2020, the amount of written-off position amounts to 100 thousand euros.

3.3 Acquired or originated impaired financial assets

They represent exposures that meet the definition of acquired or originated impaired financial asset as per Appendix A of IFRS 9. This includes, inter alia, impaired credit exposures acquired as part of disposal transactions (individual or portfolio) and business combinations.

At 31 December 2020, the Bank does not hold any financial assets belonging to this category.

4. Financial assets subject to renegotiation and forborne exposures

"Forborne exposures" are those deriving from concessions made in the presence of both of the following conditions:

- the borrower is (or is about to become) incapable of fulfilling the terms of the agreement as a result of financial hardship;
- the lender makes a favourable concession to the borrower because of the hardship pointed out.

The classification as forborne is assigned at the level of individual credit facility upon occurrence of specific conditions of difficulty of the borrower to fulfil his commitments, associated with an activity of the Bank directed at overcoming these difficulties (forbearance measures).

Forborne exposures can be both in each of the categories of non-performing loans and among performing loans, in relation to the state of risk of the exposure at the time of the granting.

With reference to the two main directives, dictated by the EBA first and foremost, by Circular 272 and expressed and clarified with the Report of the Consultation prepared by Bank of Italy, the Bank sets the following lines for:

- identification of forbearance measures;
- management and monitoring of the receivables subjected to these measures.

In general, the following forbearance measures are identified:

a) maturity date extension;
b) reduction of the interest rate applied;
c) transformation of the credit facility from maturity to revocation;
d) change to instalment periodicity;
e) change to type of amortisation.

According to the internal Policies, this does not include the forbearance measures applied by the Bank to borrowers that do not have financial hardship conditions considering:

- either earning capacity;
- or the credit reserve with the banking system and their ability to obtain loans from it.

The attribution of the forborne qualification rests with the body that decides to apply the forbearance measure. The management of forborne loans takes place through the IT procedure and monitoring entails, among other activities, a quarterly information report to the Credits Committee in addition to the intervention of the head of the Risk Control in Credits Committee every time a currently or previously forborne position is analysed.

At 31 December 2020, the Bank had 36 "forborne" exposures of which:

- 14 non-performing positions totalling 37,105 thousand euros (18,456 thousand euros after write-downs), of which 3 positions included among bad loans of 24,194 thousand euros and 11 positions included among unlikely to pay of 12,911 thousand euros.
- 22 performing positions totalling 12,887 thousand euros.

The EBA, in several documents, has clarified that the legislative moratoriums granted in response to the COVID-19 emergency do not involve an automatic classification of the position as forbearance.
Banca Finnat has defined the criteria which, if respected, do not lead to the classification as forborne of a position that benefited from the moratorium.
As regards the process of assessing the SICR and measuring the expected losses, please refer to the previous paragraph "2.3 Methods for measuring expected losses", sub-paragraph "Changes due to COVID-19".

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Quantitative information

A. Credit quality

A.1 Non-performing and performing exposures: balances, impairment losses, changes, breakdown by type

A.1.1 Breakdown of credit exposures by portfolio classification and credit quality (book values)

Portfolio/Quality	Bad Loans	Unlikely to pay	Non-performing past due exposures	Performing past due exposures	Other performing exposures	Total
1. Financial assets at amortised cost	11,518	9,832	173	6,065	1,312,403	1,339,991
2. Financial assets at fair value through other comprehensive income	-	-	-	-	328,193	328,193
3. Financial assets at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily at fair value	-	-	-	-	-	-
5. Financial assets under disposal	-	-	-	-	-	-
Total 2020	11,518	9,832	173	6,065	1,640,596	1,668,184
Total 2019	5,707	6,404	3,036	54,879	1,783,524	1,853,550

A.1.2 Breakdown of credit exposures by portfolio classification and credit quality (gross and net values)

Portfolio/Quality	Non-performing			Total partial write-offs*	Performing			Total (net exposure)
	Gross exposure	Total impairment losses	Net exposure		Gross exposure	Total impairment losses	Net exposure	
1. Financial assets at amortised cost	47,779	26,256	21,523	-	1,321,433	2,965	1,318,468	1,339,991
2. Financial assets at fair value through other comprehensive income	-	-	-	-	328,293	100	328,193	328,193
3. Financial assets designated at fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily at fair value	-	-	-	-	X	X	-	-
5. Financial assets under disposal	-	-	-	-	-	-	-	-
Total 2020	47,779	26,256	21,523	-	1,649,726	3,065	1,646,661	1,668,184
Total 2019	36,367	21,220	15,147	-	1,841,768	3,365	1,838,403	1,853,550

* Value to be reported for disclosure purposes

Portfolio/Quality	Asset of evidently low credit quality		Other assets
	Cumulated losses	Net exposure	Net exposure
1. Financial assets held for trading	-	-	630
2. Hedging derivatives	-	-	-
Total 2020	-	-	630
Total 2019	-	1	50,644

A.1.3 Breakdown of credit exposures by maturity brackets (book values)

Portfolio/risk stages	Stage 1			Stage 2			Stage 3		
	From 1 day to 30 days	From over 30 days to 90 days	More than 90 days	From 1 day to 30 days	From over 30 days to 90 days	More than 90 days	From 1 day to 30 days	From over 30 days to 90 days	More than 90 days
1. Financial assets at amortised cost	1,656	-	41	1,193	1,853	1,323	7,567	47	11,926
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
3. Financial assets under disposal	-	-	-	-	-	-	-	-	-
Total 2020	1,656	-	41	1,193	1,853	1,323	7,567	47	11,926
Total 2019	13,533	292	-	37,883	2,341	830	-	627	14,520

A.1.4 Financial assets, commitments to lend funds and financial guarantees given: changes in total impairment losses and total allocations (1 of 2)

Reasons/risk stages	Total impairment losses							
	Assets in stage 1				Assets in stage 2			
	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	of which: individual write-downs	of which: collective write-downs	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	of which: individual write-downs	of which: collective write-downs
Total opening impairment losses	1,422	543	1,965	-	1,397	3	1,400	-
Increases from acquired or originated financial assets	1,408	41	1,449	-	1,479	-	1,479	-
Derecognitions other than write-offs	(1,137)	(58)	(1,195)	-	(1,107)	(3)	(1,110)	-
Net losses/recoveries on credit risk	(213)	(426)	(639)	-	2	-	2	-
Contractual changes without derecognition	-	-	-	-	(286)	-	(286)	-
Changes in estimation methodology	-	-	-	-	-	-	-	-
Write-offs not recognised directly in the income statement	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-	-
Total closing impairment losses	1,480	100	1,580	-	1,485	-	1,485	-
Recoveries from collection on financial assets written off	-	-	-	-	-	-	-	-
Write-offs recognised directly in the income statement	6	-	6	-	6	-	6	-

A.1.4 Financial assets, commitments to lend funds and financial guarantees given: changes in total impairment losses and total allocations (continuation 2 of 2)

Reasons/risk stages	Total impairment losses					Total allocations on commitments to lend funds and financial guarantees given			Total
	Assets in stage 3				of which: acquired or originated impaired financial assets				
	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	of which: individual write-downs	of which: collective write-downs		Stage 1	Stage 2	Stage 3	
Total opening impairment losses	21,207	-	21,207	-	-	82	7	13	24,674
Increases from acquired or originated financial assets	2,928	-	2,928	-	-	211	22	-	6,089
Derecognitions other than write-offs	(39)	-	(39)	-	-	(82)	(8)	-	(2,434)
Net losses/recoveries on credit risk	(642)	-	(642)	-	-	-	-	-	(1,279)
Contractual changes without derecognition	2,891	-	2,891	-	-	-	-	-	2,605
Changes in estimation methodology	-	-	-	-	-	-	-	-	-
Write- offs not recognised directly in the income statement	(88)	-	(88)	-	-	-	-	-	(88)
Other changes	-	-	-	-	-	-	-	-	-
Total closing impairment losses	26,257	-	26,257	-	-	211	21	13	29,567
Recoveries from collection on financial assets written off	-	-	-	-	-	-	-	-	-
Write-offs recognised directly in the income statement	-	-	-	-	-	-	-	-	12

A.1.5 Financial assets, commitments to lend funds and financial guarantees given: transfers between the different credit risk stages (gross and nominal values)

Portfolio/risk stages	Gross values/nominal value					
	Transfers between stage 1 and stage 2		Transfers between stage 2 and stage 3		Transfers between stage 1 and stage 3	
	From stage 1 to stage 2	From stage 2 to stage 1	From stage 2 to stage 3	From stage 3 to stage 2	From stage 1 to stage 3	From stage 3 to stage 1
1. Financial assets at amortised cost	36,550	10,409	11,968	600	162	-
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-
3. Commitments to lend funds and financial guarantees given	4,756	1,233	-	-	-	-
Total 2020	41,306	11,642	11,968	600	162	-
Total 2019	18,217	7,339	9,479	21	15,554	113

A.1.5a Loans subject to COVID-19 support measures: transfers between the different credit risk stages (gross values)

Portfolio/risk stages	Gross values					
	Transfers between stage 1 and stage 2		Transfers between stage 2 and stage 3		Transfers between stage 1 and stage 3	
	From stage 1 to stage 2	From stage 2 to stage 1	From stage 2 to stage 3	From stage 3 to stage 2	From stage 1 to stage 3	From stage 3 to stage 1
A. Financial assets at amortised cost	10,871	86	-	-	-	-
A.1 Loans subject to forbearance compliant with GL	10,871	86	-	-	-	-
A.2. Loans subject to other forbearance measures	-	-	-	-	-	-
A.3 New loans	-	-	-	-	-	-
B. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-
B.1 Loans subject to forbearance compliant with GL	-	-	-	-	-	-
B.2. Loans subject to other forbearance measures	-	-	-	-	-	-
B.3 New loans	-	-	-	-	-	-
Total 2020	10,871	86	-	-	-	-
Total 2019	-	-	-	-	-	-

A.1.6 On-balance sheet and off-balance sheet credit exposures to banks: gross and net amounts

Type of exposures/Amounts	Gross exposure		Total impairment losses and total allocations	Net exposure	Total partial write-offs *
	Non-performing	Performing			
A. On-balance sheet credit exposures					
a) Bad Loans	-	X	-	-	-
- of which: forborne exposures	-	X	-	-	-
b) Unlikely to pay	-	X	-	-	-
- of which: forborne exposures	-	X	-	-	-
c) Non-performing past due exposures	-	X	-	-	-
- of which: forborne exposures	-	X	-	-	-
d) Performing past due exposures	X	-	-	-	-
- of which: forborne exposures	X	-	-	-	-
e) Other performing exposures	X	126,680	100	126,580	-
- of which: forborne exposures	X	-	-	-	-
Total A	-	126,680	100	126,580	-
B. Off-balance sheet credit exposures					
a) Non-performing	-	X	-	-	-
b) Performing	X	687	1	686	-
Total B	-	687	1	686	-
Total A+B	-	127,367	101	127,266	-

* Value to be reported for disclosure purposes.

A.1.7 On-balance sheet and off-balance sheet credit exposures to customers: gross and net amounts

Type of exposures/Amounts	Gross exposure		Total impairment losses and total allocations	Net exposure	Total partial write-offs*
	Non-performing	Performing			
A. On-balance sheet credit exposures					
a) Bad Loans	34,097	X	22,579	11,518	-
- of which: forborne exposures	24,194	X	15,273	8,921	-
b) Unlikely to pay	13,488	X	3,656	9,832	-
- of which: forborne exposures	12,911	X	3,376	9,535	-
c) Non-performing past due exposures	195	X	22	173	-
- of which: forborne exposures	-	X	-	-	-
d) Performing past due exposures	X	6,275	211	6,064	-
- of which: forborne exposures	X	639	3	636	-
e) Other performing exposures	X	1,517,323	2,754	1,514,569	-
- of which: forborne exposures	X	12,248	358	11,890	-
Total A	47,780	1,523,598	29,222	1,542,156	-
B. Off-balance sheet credit exposures					
a) Non-performing	302	X	13	289	-
b) Performing	X	237,989	232	237,757	-
Total B	302	237,989	245	238,046	-
Total A+B	48,082	1,761,587	29,467	1,780,202	-

* Value to be reported for disclosure purposes.

A.1.7a Loans subject to COVID-19 support measures: gross and net values

Type of exposures/Amounts	Gross exposure	Total impairment losses and total allocations	Net exposure	Total partial write-offs*
A. Bad loans:	-	-	-	-
a) Loans subject to forbearance compliant with GL	-	-	-	-
b) Loans subject to other forbearance measures	-	-	-	-
c) New loans	-	-	-	-
B. Loans in unlikely to pay:	-	-	-	-
a) Loans subject to forbearance compliant with GL	-	-	-	-
b) Loans subject to other forbearance measures	-	-	-	-
c) New loans	-	-	-	-
C. Non-performing past due loans:	-	-	-	-
a) Loans subject to forbearance compliant with GL	-	-	-	-
b) Loans subject to other forbearance measures	-	-	-	-
c) New loans	-	-	-	-
D. Performing past due loans:	-	-	-	-
a) Loans subject to forbearance compliant with GL	-	-	-	-
b) Loans subject to other forbearance measures	-	-	-	-
c) New loans	-	-	-	-
E. Other performing loans:	30,718	628	30,090	-
a) Loans subject to forbearance compliant with GL	18,663	594	18,069	-
b) Loans subject to other forbearance measures	-	-	-	-
c) New loans	12,055	34	12,021	-
Total A+B+C+E	30,718	628	30,090	-

* Value to be reported for disclosure purposes.

A.1.9 On-balance sheet credit exposures to customers: changes in gross non-performing exposures

Reason/Category	Bad Loans	Unlikely to pay	Non-performing past due exposures
A. Gross opening exposure	25,224	8,023	3,120
- of which: exposures sold and not derecognised			
B. Increases	9,018	5,715	182
B.1 inflows from performing exposures	8,824	3,394	76
B.2 inflows from acquired or originated impaired financial assets	-	-	-
B.3 transfers from other categories of non-performing exposures	-	2110	-
B.4 contractual changes without derecognition	-	-	-
B.5 other increases	194	211	106
C. Decreases	145	250	3,108
C.1 outflows to performing exposures	-	-	1
C.2 write-offs	85	-	3
C.3 collection	60	233	972
C.4 gains from disposals	-	-	-
C.5 losses from disposals	-	-	-
C.6 transfers to other categories of non-performing exposures	-	-	2110
C.7 contractual changes without derecognition	-	-	-
C.8 other decreases	-	17	22
D. Gross closing exposure	34,097	13,488	194
- of which: exposures sold and not derecognised			

A.1.9bis On-balance sheet credit exposures to customers: changes in gross forborne exposures by credit quality

Reasons/Quality	Forborne exposures: non-performing	Forborne exposures: not impaired
A. Gross opening exposure	24,165	6,927
- of which: exposures sold and not derecognised		
B. Increases	14,006	9,400
B.1 inflows from non forborne performing exposures	8,879	8,812
B.2 inflows from forborne performing exposures	3,013	X
B.3 inflows from forborne non-performing exposures	X	-
B.4 other increases	2,114	588
C. Decreases	1,066	3,440
C.1 outflows to non forborne performing exposures	X	-
C.2 outflows to forborne performing exposures	-	X
C.3 outflows to forborne non-performing exposures	X	3,013
C.4 write-offs	-	-
C.5 collection	119	284
C.6 gains from disposals	-	-
C.7 losses from disposals	-	-
C.8 other decreases	947	143
D. Gross closing exposure	37,105	12,887
- of which: exposures sold and not derecognised		

A.1.11 Non-performing on-balance sheet credit exposures to customers: changes in total impairment losses

Reason/Category	Bad Loans		Unlikely to pay		Non-performing past due exposures	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. Total opening impairment losses	19,517	12,338	1,619	1,505	84	-
- of which: exposures sold and not derecognised						
B. Increases	3,355	2,935	2,192	1,872	15	-
B.1 impairment losses from acquired or originated impaired financial assets	-	X	-	X	-	X
B.2 other impairment losses	3,310	2,892	2,061	1,800	14	-
B.3 losses from disposals	-	-	-	-	-	-
B.4 transfers from other categories of non-performing exposures	2	-	54	-	-	-
B.5 contractual changes without derecognition	-	X	-	X	-	X
B.6 other increases	43	43	77	72	1	-
C. Decreases	293	-	155	1	77	-
C.1 valuation value recoveries	187	-	134	1	1	-
C.2 cash value recoveries	21	-	21	-	16	-
C.3 profit from disposals	-	-	-	-	-	-
C.4 write-offs	85	-	-	-	3	-
C.5 transfers to other categories of non-performing exposures	-	-	-	-	57	-
C.6 contractual changes without derecognition	-	X	-	X	-	X
C.7 other decreases	-	-	-	-	-	-
D. Total closing impairment losses	22,579	15,273	3,656	3,376	22	-
- of which: exposures sold and not derecognised						

A.2 Classification of financial assets, of commitments to lend funds and of financial guarantees given on the basis of external and internal rating classes

A.2.1 Breakdown of credit exposures, of commitments to lend funds and of financial guarantees given: by external rating classes (gross values)

Exposures	External rating classes						Without rating	Total
	class 1	class 2	class 3	class 4	class 5	class 6		
A. Financial assets at amortised cost	-	-	**858,806**	-	-	-	**510,406**	**1,369,212**
- Stage 1	-	-	858,806	-	-	-	406,411	1,265,217
- Stage 2	-	-	-	-	-	-	56,219	56,219
- Stage 3	-	-	-	-	-	-	47,776	47,776
B. Financial assets at fair value through other comprehensive income	-	**10,252**	**318,041**	-	-	-	-	**328,293**
- Stage 1	-	10,252	318,041	-	-	-	-	328,293
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
C. Financial assets under disposal	-	-	-	-	-	-	-	-
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
Total (A+B+C)	-	10,252	1,176,847	-	-	-	510,406	1,697,505
of which: acquired or originated impaired financial assets	-	-	-	-	-	-	-	
D. Commitments to lend funds and financial guarantees given	-	-	-	-	-	-	**53,778**	**53,778**
- Stage 1	-	-	-	-	-	-	48,324	48,324
- Stage 2	-	-	-	-	-	-	5,155	5,155
- Stage 3	-	-	-	-	-	-	299	299
Total D	-	-	-	-	-	-	53,778	53,778
Total (A+B+C+D)	-	10,252	1,176,847	-	-	-	564,184	1,751,283

A.2.2 Breakdown of credit exposures, of commitments to lend funds and of financial guarantees given: by internal rating classes (gross values)

The table is not filled in, because the Bank does not use internal ratings.

A.3. Distribution of guaranteed credit exposures by type of guarantee

A.3.2 Secured on-balance sheet and off-balance sheet credit exposures to customers

	Gross exposure	Net exposure	Collateral (1)				Personal guarantees (2)										Total (1)+(2)
							Credit derivatives					Unsecured loans					
			Real estate - mortgages	Real estate - finance leases	Securities	Other collateral	CLN	Other derivatives: Central counterparties	Other derivatives: Banks	Other derivatives: Other financial institutions	Other derivatives: Other entities	Public administrations	Banks	Other financial institutions	Other entities		
1. Guaranteed on-balance sheet credit exposures	360,521	333,837	152,848	-	85,524	68,917	-	-	-	-	-	10,277	1,700	506	4,240		324,012
1.1 fully guaranteed	317,879	305,084	152,848	-	81,168	61,549	-	-	-	-	-	4,777	-	506	4,206		305,054
- of which non-performing	26,234	15,582	15,451	-	51	-	-	-	-	-	-	-	-	-	80		15,582
1.2 partly guaranteed	42,642	28,753	-	-	4,356	7,368	-	-	-	-	-	5,500	1,700	-	34		18,958
- of which non-performing	19,269	5,495	-	-	74	1,000	-	-	-	-	-	-	-	-	-		1,074
2. Guaranteed off-balance sheet credit exposures	102,412	102,188	8,139	-	47,824	29,533	-	-	-	-	-	-	-	-	995		86,491
2.1 fully guaranteed	84,885	84,667	8,139	-	47,246	28,286	-	-	-	-	-	-	-	-	995		84,666
- of which non-performing	299	286	-	-	-	286	-	-	-	-	-	-	-	-	-		286
2.2 partly guaranteed	17,527	17,521	-	-	578	1,247	-	-	-	-	-	-	-	-	-		1,825
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-

B. Distribution and concentration of credit exposures

B.1 Segment distribution of on-balance sheet and off-balance sheet credit exposures to customers

Exposures/Counterparties	Public administrations		Financial institutions		Financial institutions (of which: insurance companies)		Non financial institutions		Households	
	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses
A. On-balance sheet credit exposures										
A.1 Bad Loans	-	-	124	5	-	-	10,232	21,417	1,162	1,157
- of which: forborne exposures	-	-	-	-	-	-	8,921	15,132	-	141
A.2 Unlikely to pay	-	-	-	-	-	-	8,035	3,524	1,797	132
- of which: forborne exposures	-	-	-	-	-	-	7,875	3,315	1,660	61
A.3 Non-performing past due exposures	-	-	2	1	-	-	28	11	143	9
- of which: forborne exposures	-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures	1,145,238	222	84,235	193	-	-	148,186	2,075	142,974	475
- of which: forborne exposures	-	-	75	3	-	-	8,653	305	3,798	53
Total (A)	1,145,238	222	84,361	199	-	-	166,481	27,027	146,076	1,773
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures	-	-	-	-	-	-	288	13	1	-
B.2 Performing exposures	-	-	63,624	98	9	-	124,611	106	49,522	28
Total (B)	-	-	63,624	98	9	-	124,899	119	49,523	28
TOTAL (A+B) 31/12/2020	1,145,238	222	147,985	297	9	-	291,380	27,146	195,599	1,801
Total (A+B) 31/12/2019	1,357,944	-	171,742	58	13	-	302,318	20,146	197,282	1,117

B.2 Geographical distribution of on-balance sheet and off-balance sheet credit exposures to customers

Exposures/Geographic area	Italy		Other European countries		America		Asia		Rest of the world	
	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses
A. On-balance sheet credit exposures										
A.1 Bad Loans	11,518	22,579	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	9,832	3,656	-	-	-	-	-	-	-	-
A.3 Non-performing past due exposures	162	20	11	1	-	-	-	-	-	-
A.4 Performing exposures	1,505,835	2,952	14,771	13	27	-	-	-	-	-
Total (A)	1,527,347	29,207	14,782	14	27	-	-	-	-	-
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures	289	13	-	-	-	-	-	-	-	-
B.2 Performing exposures	236,087	230	1,445	2	225	-	-	-	-	-
Total (B)	236,376	243	1,445	2	225	-	-	-	-	-
TOTAL (A+B) 31/12/2020	1,763,723	29,450	16,227	16	252	-	-	-	-	-
Total (A+B) 31/12/2019	2,016,782	24,304	12,281	4	222	-	-	-	-	-

B.3 Geographical distribution of on-balance sheet and off-balance sheet credit exposures to banks

Exposures/Geographic area	Italy		Other European countries		America		Asia		Rest of the world	
	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses
A. On-balance sheet credit exposures										
A.1 Bad Loans	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
A.3 Non-performing past due exposures	-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures	113,400	67	13,059	33	121	-	-	-	-	-
Total (A)	113,400	67	13,059	33	121	-	-	-	-	-
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	686	1	-	-	-	-	-	-	-	-
Total (B)	686	1	-	-	-	-	-	-	-	-
TOTAL (A+B) 31/12/2020	114,086	68	13,059	33	121	-	-	-	-	-
Total (A+B) 31/12/2019	100,622	353	8,915	28	-	-	-	-	-	-

B.4 Large exposures

a) Amount (book value) 2,317,226 thousand euros
b) Amount (weighted value) 86,950 thousand euros
c) Number 7

The provisions contained in Regulation (EU) no. 575/2013 establish that a large exposure is the exposure of an entity towards a customer or a group of connected customers whose value is equal to or greater than 10% of the entity's admissible capital.

The same provisions establish that the amount of the exposure of an entity towards an individual customer or a group of connected customers may not exceed 25% of the entity's admissible capital. Obviously, the amount of 25% takes into account credit risk attenuation techniques, the type of guarantee acquired and the debtor counterparty.

With the objective of containing Large Exposures within the limits set by the regulatory provisions, the corporate control functions carry out ex ante controls on new disbursements and periodically verify the Bank's overall exposure to customers or groups of connected customers that fall into the category of large exposures. The internal policies also provide for the preparation of adequate reports for the corporate bodies.

C. Securitisation

The Bank has not carried out any securitisation transaction. At the reporting date, no such transactions, issued by the Bank, were in place.

E. Disposal of companies

A. Financial assets sold and not derecognised in full

Qualitative information

Financial assets sold and not derecognised in full refer to Government Bonds used in repos carried out exclusively with Cassa di Compensazione e Garanzia.

Quantitative information

E.1 Financial assets sold recognised in full and associated financial liabilities: book values

	Financial assets sold recognised in full				Associated financial liabilities		
	Book value	of which: subject of securitisations	of which: subject of sale agreements with repurchase pact	of which non-performing	Book value	of which: subject of securitisations	of which: subject of sale agreements with repurchase pact
A. Financial assets held for trading	-	-	-	X	-	-	-
1. Debt securities	-	-	-	X	-	-	-
2. Equities	-	-	-	X	-	-	-
3. Loans	-	-	-	X	-	-	-
4. Derivatives	-	-	-	X	-	-	-
B. Other financial assets mandatorily measured at fair value	-	-	-	-	-	-	-
1. Debt securities	-	-	-	-	-	-	-
2. Equities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
C. Financial assets designated at fair value	-	-	-	-	-	-	-
1. Debt securities	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-
D. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-
1. Debt securities	-	-	-	-	-	-	-
2. Equities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
E. Financial assets at amortised cost	858,807	-	858,807	-	853,159	-	853,159
1. Debt securities	858,807	-	858,807	-	853,159	-	853,159
2. Loans	-	-	-	-	-	-	-
Total 31/12/2020	858,807	-	858,807	-	853,159	-	853,159
Total 31/12/2019	994,234	-	994,234	-	985,179	-	985,179

F. Credit risk measurement models

In order to assess the Credit Risk, the Bank uses a standardised method for the quantification of (current and perspective) internal capital in compliance with the guidelines set out in the budgeting and multi-year planning process.

In compliance with the supervisory provisions, the method adopted by the Bank to quantify internal capital enables to use collateral (pledge and mortgage) and personal guarantees as a form of credit risk mitigation. The bank prefers the acquisition of collateral characterised by high liquidity (listed financial instruments) and low-price volatility (Sovereign debt securities).

With a view to verifying the suitability of the internal capital, also in the event of adverse outlooks linked to the negative trend of loans, the Bank carries out stress testing during ICAAP/ILAAP reporting on the credit risk. For the performance of these tests, reference is made to macroeconomic and idiosyncratic events which include the increase in default positions, reduction in value of the guarantees and the increase in the Probability of Default.

Section 2 - Market risks

2.1 Interest rate risk and price risk - Regulatory trading portfolio

Qualitative information

A. General aspects

The Bank defined the market risk as the risk of an unfavourable change in the value of a position in financial instruments - included in the trading portfolio for regulatory purposes - due to the adverse performance of interest, exchange and inflation rates, volatility, share prices, credit spreads, price of goods (generic risk) and creditworthiness of the issuer (specific risk).

Impacts resulting from the COVID-19 pandemic

With reference to market risk, the Bank did not detect significant impacts on the valuation of financial assets in the trading portfolio as a result of the COVID-19 pandemic. The trading portfolio is in fact of a residual amount and consists almost exclusively of financial instruments characterised by high liquidity.

B. Management processes and measurement methods for the interest rate risk and the price risk

Interest rate risk

The "trading portfolio" - as defined in the supervisory regulations - includes all financial instruments subject to capital requirements for market risks.

The trading portfolio includes:
- debt securities;
- shares;
- UCI units;
- derivatives held for trading.

Most of the debt securities in the portfolio at 31 December 2020 consist of government bonds whose overall duration is short. Share investments mainly refer to securities listed on the Italian Stock Exchange, with high liquidity. The portfolio instruments are denominated in euro.

The Managing Director and the General Management of the Bank provide strategic guidelines on market risk acceptance with regard to the purchase and dealing in trading securities.

With regard to the interest rate risk, the Bank monitors the changes in market rates and prepares a proper report that is sent to the Management.

Price risk

Price risk is the risk of capital losses on listed financial assets or assets that are similar to listed instruments due to fluctuations in the price of securities or to factors attributable to the peculiar situation of the issuer.

The Bank adopted special internal regulations that govern and limit the risk assumption with regard to some types of financial instruments and allow the continuous monitoring of the main risk indicators (VAR - Expected Shortfall - Volatility etc.)

In addition, limits were identified and prescribed in stress conditions, considering simultaneous shocks on the credit risk - spread increases and stock price contraction.

The method adopted to calculate VaR is historical; the bank uses a holding period of 2 years, a confidence interval of 99% and a daily time horizon for the quantification of the expected risk.

The trading portfolio is mainly represented by Government debt securities. As a result, price risk is associated with the specific situation of the issuer.

With regard to the equity portfolio, it should be underlined that it almost exclusively includes listed shares with a high degree of liquidity.

Lastly, with reference to market risk management, it should be specified that transactions with similar characteristics in terms complexity, type of issuer or risk are screened by the Managing Director and by the General Management, which performs a specific evaluation also with regard to the risk profiles associated with them.

Quantitative information

**1. Regulatory trading portfolio: distribution of cash financial assets and liabilities and financial derivatives by residual duration (repricing date)
(Currency: Euro)**

Type/Residual duration	On demand	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 years to 10 years	More than 10 years	Undated
1. Cash assets	-	13	-	-	537	2	-	-
1.1 Debt securities	-	13	-	-	537	2	-	-
- with the option of early redemption	-	13	-	-	-	-	-	-
- other	-	-	-	-	537	2	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	11,708	-	-	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	11,708	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- other derivatives	-	11,708	-	-	-	-	-	-
+ Long positions	-	5,848	-	-	-	-	-	-
+ Short positions	-	5,860	-	-	-	-	-	-

1. Regulatory trading portfolio: distribution of cash financial assets and liabilities and financial derivatives by residual duration (repricing date)
(Currency: Other currencies)

Type/Residual duration	On demand	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 years to 10 years	More than 10 years	Undated
1. Cash assets	-	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with the option of early redemption	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	11,712	-	-	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	11,712	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- other derivatives	-	11,712	-	-	-	-	-	-
+ Long positions	-	5,862	-	-	-	-	-	-
+ Short positions	-	5,850	-	-	-	-	-	-

2. Regulatory trading portfolio: distribution of exposures in equity and stock indexes in the main countries of the market

Transaction type/Listing index	Listed	Unlisted
	Italy	
A. Equities		
- long positions	1,341	-
- short positions	-	-
B. Sales not yet settled on equities		-
- long positions	74	-
- short positions	75	-
C. Other derivatives on equities		-
- long positions	-	2
- short positions	-	-
D. Derivatives on stock indices		-
- long positions	-	15
- short positions	-	15

2.2 Interest rate risk and price risk - Banking portfolio

Qualitative information

A. *General aspects, management processes and measurement methods for interest rate risk and price risk*

Interest rate risk

The interest rate risk for the banking book is defined as the current and prospective risk of profit/capital volatility due to unfavourable fluctuations in interest rates. From the definition of the interest rate risk, it is readily apparent that said risk is generated by the imbalances deriving from core business activities as a consequence of the difference in maturity and in the periods of redefinition of the interest rate conditions of assets and liabilities. The Bank's policy for managing the interest rate risk on the banking book is directed at stabilising the interest margin on the banking book.

The internal structures of the Bank monitor on a regular basis and provide adequate reporting of the interest rate risk on the banking book to the Senior Management and to the Board of Directors of the Bank. Stress tests are also carried out on a regular basis on the interest rate risk of the Repricing Gap and Duration Gap banking book. The operating limits to risk assumption were defined by the Board of Directors of the Bank and are reviewed by it on a regular basis.

The banking book comprises financial instruments (assets and liabilities) that are not in the trading portfolio. It is mainly made up of due to/from banks and customers as well as hedging derivatives.

As regards the banking book, attention is drawn to the following aspects concerning interest rate risk:

Cash assets

- debt securities, all in Euro, total 1,187 million euros and are represented by the securities present in the portfolio of Financial assets at amortised cost, amounting to 859 million euros, and those present in the Financial assets at fair value through other comprehensive income portfolio, amounting to 328 million euros. Debt securities are mainly represented by Government Bonds with 2021 maturity amounting to 824 million euros, with 2022 maturity amounting to 160 million euros, with 2023 maturity amounting to 10 million euros, with 2024 maturity amounting to 49 million euros, with 2025 maturity amounting to 41 million euros and with 2026 maturity amounting to 61 million euros;
- loans to banks (Euro and foreign currencies), totalling 93 million euros, of which 76 million euros in deposits to banks and current accounts, mainly with floating rate, 7 million euros in compulsory floating rate reserve and 10 million euros in other loans;
- loans to customers (Euro and foreign currencies), totalling 388 million euros, mainly consisting of current account credit lines of 165 million euros, loans to customers of 170 million euros, mostly with variable rate, and reverse repurchase agreements for 23 million euros.

Cash liabilities

- due to customers (Euro and foreign currencies), totalling 1,558 million euros, of which 170 million euros in fixed rate time deposits (with 2021 maturity, for a nominal amount of 39 million euros, with 2022 maturity for a nominal amount of 40 million euros, with 2023 maturity for a nominal amount of 44 million euros and maturity by 2024 for a nominal amount of 15 million euros and with 2030 maturity for a nominal amount of 32 million euros), 511 million euros in current accounts with floating rate or with revisable fixed rate, 853 million euros in repos on securities listed in regulated markets;
- due to banks (Euro and foreign currencies) relate to loans and deposits totalling 0.1 million euros;

Given the above, it may be concluded that the interest rate risk is low.

Price risk

Price risk is the risk of capital losses on listed financial assets or assets that are similar to listed instruments due to fluctuations in the price of securities or to factors attributable to the peculiar situation of the issuer.

The Bank adopted special internal regulations that govern and limit the risk assumption with regard to some types of financial instruments and allow the continuous monitoring of the main risk indicators (VAR - Expected Shortfall - Volatility etc.).

Quantitative information

1. Banking portfolio: distribution of financial assets and liabilities by residual duration (repricing date) (Currency: Euro)

Type/Residual duration	On demand	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 years to 10 years	More than 10 years	Undated
1. Cash assets	268,739	321,650	463,016	366,868	186,228	31,383	-	-
1.1 Debt securities	-	169,093	449,572	363,045	174,284	30,839	-	-
- with the option of early redemption	-	10,218	-	8,138	7,250	-	-	-
- other	-	158,875	449,572	354,907	167,034	30,839	-	-
1.2 Loans to banks	24,314	42,652	-	-	-	-	-	-
1.3 Loans to customers	244,425	109,905	13,444	3,823	11,944	544	-	-
- current accounts	161,500	-	-	-	-	-	-	-
- other loans	82,925	109,905	13,444	3,823	11,944	544	-	-
- with the option of early redemption	64,835	87,303	13,444	3,823	648	322	-	-
- other	18,090	22,602	-	-	11,296	222	-	-
2. Cash liabilities	509,185	116,570	255,081	362,980	287,921	7,180	-	-
2.1 Due to customers	509,040	116,570	255,081	362,980	287,921	7,180	-	-
- current accounts	498,788	16,655	9,925	12,747	124,063	5,588	-	-
- other payables	10,252	99,915	245,156	350,233	163,858	1,592	-	-
- with the option of early redemption	-	-	-	-	-	-	-	-
- other	10,252	99,915	245,156	350,233	163,858	1,592	-	-
2.2 Due to banks	145	-	-	-	-	-	-	-
- current accounts	145	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with the option of early redemption	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with the option of early redemption	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	-	9,638	-	-	-	-	-	-
3.1 with underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	9,638	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- other derivatives	-	9,638	-	-	-	-	-	-
+ Long positions	-	9,638	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet transactions	34,012	27,200	-	-	368	-	100	-
+ Long positions	3,172	27,200	-	-	368	-	100	-
+ Short positions	30,840	-	-	-	-	-	-	-

1. Banking portfolio: distribution of financial assets and liabilities by residual duration (repricing date) (Currency: Other currencies)

Type/Residual duration	On demand	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 years to 10 years	More than 10 years	Undated
1. Cash assets	30,300	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with the option of early redemption	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	26,001	-	-	-	-	-	-	-
1.3 Loans to customers	4,299	-	-	-	-	-	-	-
- current accounts	3,485	-	-	-	-	-	-	-
- other loans	814	-	-	-	-	-	-	-
- with the option of early redemption	-	-	-	-	-	-	-	-
- other	814	-	-	-	-	-	-	-
2. Cash liabilities	19,045	-	-	-	-	-	-	-
2.1 Due to customers	19,045	-	-	-	-	-	-	-
- current accounts	13,771	-	-	-	-	-	-	-
- other payables	5,274	-	-	-	-	-	-	-
- with the option of early redemption	-	-	-	-	-	-	-	-
- other	5,274	-	-	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with the option of early redemption	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with the option of early redemption	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	-	9,638	-	-	-	-	-	-
3.1 with underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	9,638	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- other derivatives	-	9,638	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	9,638	-	-	-	-	-	-
4. Other off-balance sheet transactions	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

2.3 Exchange rate risk

Qualitative information

A. *General aspects, management processes and measurement methods for exchange rate risk*

Exchange rate risk management is the responsibility of the General Management and the Finance Department carries out trading, hedging and brokering activities within specific operating limits (amounts) with regard to both financial assets and liabilities denominated in foreign currencies in its own account or on behalf of customers.

Generally, the exposure to exchange rate risk is quite low and limited to temporary misalignments in opposite sign positions. The Bank keeps this risk to a minimum by monitoring the treasury exposure due to the time mismatching between asset and liability items.

B. *Exchange rate risk hedging activity*

At 31 December 2020, two hedges for GBP 7,000 thousand and CHF 2,000 thousand were open for the property.

Quantitative information

1. Distribution by currency of assets, liabilities and derivatives

Items	Currencies					
	US dollar	Pound sterling	Yen	Canadian dollar	Swiss franc	Other currencies
A. Financial assets	13,169	10,981	90	89	10,564	922
A.1 Debt securities	-	-	-	-	-	-
A.2 Equities	-	-	-	-	-	-
A.3 Loans to banks	12,217	8,829	89	89	3,857	920
A.4 Loans to customers	952	2,152	1	-	1,192	2
A.5 Other financial assets	-	-	-	-	5,515	-
B. Other assets	10	31	3	1	8	-
C. Financial liabilities	13,231	3,120	5	-	2,689	-
C.1 Due to banks	-	-	-	-	-	-
C.2 Due to customers	13231	3120	5	-	2689	-
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	-	-	-	-	-	-
E. Financial derivatives	10,947	8,202	-	-	1,939	262
- Options	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-
- Other derivatives	10,947	8,202	-	-	1,939	262
+ Long positions	5,400	286	-	-	44	133
+ Short positions	5,547	7,916	-	-	1,895	129
Total assets	18,579	11,298	93	90	10,616	1,055
Total liabilities	18,778	11,036	5	-	4,584	129
Imbalance (+/-)	(199)	262	88	90	6,032	926

Section 3 - Derivatives and hedging policies

3.1 Derivatives held for trading

A. Financial derivatives

A.1 Financial derivatives held for trading: end-of-period notional values

Underlying assets/Type of derivatives	Total 31/12/2020				Total 31/12/2019			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With offset agreements	Without offset agreements			With offset agreements	Without offset agreements	
1. Debt securities and interest rates	-	-	-	-	-	-	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equities and stock indices	-	-	3,580	2,660	-	-	2,415	1,828
a) Options	-	-	900	-	-	-	587	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	2,680	2,660	-	-	1,828	1,828
e) Other	-	-	-	-	-	-	-	-
3. Currencies and gold	-	-	11,268	-	-	-	9,138	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	11,268	-	-	-	9,138	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Goods	-	-	-	-	-	-	-	-
5. Other	-	-	-	-	-	-	-	-
Total	-	-	14,848	2,660	-	-	11,553	1,828

A.2 Financial derivatives held for trading: gross positive and negative fair value - breakdown by product

Underlying assets/Type of derivatives	Total 31/12/2020				Total 31/12/2019			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With offset agreements	Without offset agreements			With offset agreements	Without offset agreements	
1. Positive fair value								
a) Options	-	-	76	-	-	-	-	94
b) Interest rate swaps	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	2	-	-	-	-	81
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	-	-	78	-	-	-	-	175
1. Negative fair value								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	40	-	-	-	-	152
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	-	-	40	-	-	-	-	152

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

Underlying assets	Central counterparties	Banks	Other financial institutions	Other entities
Contracts not covered by offset agreements				
1) Debt securities and interest rates				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
2) Equities and stock indexes				
- notional value	X	2,680	179	721
- positive fair value	X	-	19	56
- negative fair value	X	-	-	-
3) Currencies and gold				
- notional value	X	10,453	815	-
- positive fair value	X	2	-	-
- negative fair value	X	38	2	-
4) Goods				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Other				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts covered by offset agreements				
1) Debt securities and interest rates				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Equities and stock indexes				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Goods				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

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

Underlying/Residual life	Up to 1 year	From over 1 year to 5 years	More than 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	-	-	-	-
A.2 Financial derivatives on equities and stock indexes	3,038	516	26	3,580
A.3 Financial derivatives on currencies and gold	11,268	-	-	11,268
A.4 Financial derivatives on goods	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total 2020	14,306	516	26	14,848
Total 2019	10,991	562	-	11,553

Section 4 - Liquidity risk

Qualitative information

A. *General aspects, management processes and measurement methods for the liquidity risk*

The Bank defined the liquidity risk as the inability to meet own payment commitments. This risk is linked to the inability to raise funds (funding liquidity risk) or to the existence of limits for the disinvestment of assets (market liquidity risk).
Funding liquidity risk means the risk according to which the Bank is not able to meet its own payment commitments and obligations efficiently (compared to the "desired" risk profile and/or "fair" economic conditions) due to the inability to raise funds without compromising its core business activities and/or financial situation.
Market liquidity risk means the risk according to which the Bank is able to dispose of an asset only by incurring capital losses due to the low liquidity of the reference market and/or due to the timing with which the transaction will be carried out.

The analysis of the Bank's financial instruments (assets and liabilities) highlights that, overall, liquidity risk is low. In fact, the loans portfolio is mostly made up of short-term funding sources both on the interbank market and with regard to customers (as it comprises mainly on-demand loans that are directly connected with the private banking activity). Most of the securities trading portfolio is made up of highly liquid debt securities issued by countries of the Eurozone.
Concerning the sources of funding, they comprise current accounts, time deposits, repos and the issue of floating rate bonds. The concentration of the funding sources, present on primary and consolidated customers, is the consequence of the business model adopted by the Bank that entails issuing loans and providing services to highly selected customers.

The Bank's overall exposure to liquidity risk is therefore maintained at modest levels thanks to the structure of the financial portfolio described above.

The ability to meet commitments promptly and economically is guaranteed by carefully monitoring the position through the use of information systems that ensure the ongoing monitoring of the liquidity requirements that are managed, where necessary, by resorting to the interbank deposits and, alternatively, to the repos market.

On the basis of the supervisory provisions, the Bank has defined the guidelines on the governance and management of liquidity risk and the methods of stress tests to be carried out. More specifically, the roles and responsibilities have been defined by the corporate bodies involved, the calculation methods of the LCR (Liquidity Coverage Ratio) and NSFR (Net Stable Funding Ratio) and the criteria to be applied in carrying out stress testing.
The short-term liquidity management policy, monitoring using the LCR indicator, includes all limits and alert thresholds that allow, both in normal market conditions and in stressful periods, for the measurement of the liquidity risk to which it is exposed. The liquidity needed to cope with any structural imbalance in the breakdown of assets and liabilities along a one-year timeframe, instead, is monitored through the NSFR indicator.
Within the liquidity risk management process, the Bank's Risk Control organisational unit:

- periodically carries out the stress tests identified by the Bank for risk measurement, performing the measurements necessary to determine the value of the LCR - (Liquidity Coverage Ratio) - indicator: (aimed at assuring that the Bank holds an amount of high quality liquid assets that enables it to withstand stress situations on the funding market for a time horizon of 30 days) and the NSF: (Net Stable Funding Ratio - indicator (aimed at assuring a structural balance of the financial statements of the bank);
- prepare the report to be sent to the Senior Management in which the liquidity risk exposure determined on the basis of stress tests is illustrated.

The analyses carried out at 31 December 2020 show that the potential outgoing cash flows are entirely covered by the inflows and by the liquidity buffer held by the Bank, and therefore no risk situations are noted.

Impacts resulting from the COVID-19 pandemic

With reference to liquidity risk, the Bank did not detect significant impacts as a result of the COVID-19 pandemic. The liquidity buffer and the eligible assets are constantly monitored and are adequate to cope with outflows even in conditions of stress.

Quantitative information

1. Time distribution of financial assets and liabilities by residual duration
(Currency: Euro)

Item/Time frame	On demand	From over 1 day to 7 days	From over 7 days to 15 days	From over 15 days to 1 month	From over 1 month to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	More than 5 years	Undated
Cash assets	234,414	58,603	59	10,898	152,285	323,083	382,517	367,565	129,225	6,659
A.1 Treasury Bonds	-	-	-	-	149,808	318,999	354,787	258,061	60,001	-
A.2 Other debt securities	-	-	-	10,235	7	117	8,265	23,457	13	-
A.3 UCI units	25,242	-	-	-	-	-	-	-	-	-
A.4 Loans	209,172	58,603	59	663	2,470	3,967	19,465	86,047	69,211	6,659
- Banks	24,339	36,000	-	-	-	-	-	-	-	6,659
- Customers	184,833	22,603	59	663	2,470	3,967	19,465	86,047	69,211	-
Cash liabilities	508,758	50	4,050	8,581	103,899	256,426	361,777	287,921	7,180	-
B.1 Deposit and current accounts	498,506	50	4,050	8,102	4,463	9,950	12,864	124,063	5,588	-
- Banks	145	-	-	-	-	-	-	-	-	-
- Customers	498,361	50	4,050	8,102	4,463	9,950	12,864	124,063	5,588	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	10,252	-	-	479	99,436	246,476	348,913	163,858	1,592	-
Off-balance sheet transactions	210,796	10,078	-	267	15,672	2,709	276	32,422	9,390	-
C.1 Financial derivatives with exchange of capital	-	10,078	-	-	11,268	-	-	-	-	-
- Long positions	-	5,033	-	-	10,453	-	-	-	-	-
- Short positions	-	5,045	-	-	815	-	-	-	-	-
C.2 Financial derivatives without exchange of capital	76	-	-	-	-	-	-	-	-	-
- Long positions	76	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to lend funds	209,287	-	-	267	279	1,147	181	23,331	3,745	-
- Long positions	90,169	-	-	267	279	1,147	181	23,331	3,745	-
- Short positions	119,118	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	1,433	-	-	-	4,125	1,562	95	9,091	5,645	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

Bank "Undated Loans" refer to the deposit in the Compulsory reserve.
Item C.1 includes the value of the purchases and sales of securities not yet settled.

1. Time distribution of financial assets and liabilities by residual duration (Currency: Other currencies)

Item/Time frame	On demand	From over 1 day to 7 days	From over 7 days to 15 days	From over 15 days to 1 month	From over 1 month to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	More than 5 years	Undated
Cash assets	30,338	-	-	-	-	-	-	-	-	-
A.1 Treasury Bonds	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCI units	-	-	-	-	-	-	-	-	-	-
A.4 Loans	30,338	-	-	-	-	-	-	-	-	-
- Banks	26,027	-	-	-	-	-	-	-	-	-
- Customers	4,311	-	-	-	-	-	-	-	-	-
Cash liabilities	19,046	-	-	-	-	-	-	-	-	-
B.1 Deposit and current accounts	13,772	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	13,772	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	5,274	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	292	10,082	-	-	11,268	-	-	-	-	-
C.1 Financial derivatives with exchange of capital	-	10,082	-	-	11,268	-	-	-	-	-
- Long positions	-	5,047	-	-	815	-	-	-	-	-
- Short positions	-	5,035	-	-	10,453	-	-	-	-	-
C.2 Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to lend funds	292	-	-	-	-	-	-	-	-	-
- Long positions	146	-	-	-	-	-	-	-	-	-
- Short positions	146	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

Section 5 - Operating risk

Qualitative and quantitative information

A. General aspects, management processes and measurement methods for operating risk

Operating risk is defined as the risk to incur losses arising from the inadequacy or weakness in procedures, human resources and internal systems, or from external events. These include losses arising from frauds, human errors, interruptions in business activities, unavailability of systems, contractual default, natural and/or geopolitical disasters. The operating risk includes the legal risk, while it does not include strategic and reputational risks.

The Bank, albeit adopting a standardised calculation method of the operating risks, carries out their analysis/self-assessment. In order to standardise the quantification process of operating risks, the Bank has also formalised the adopted method in the document called "Management of operating risks in Banca Finnat".
The analysis of operational risks and the identification of the processes with the greatest impact are periodically carried out by the Risk Control Organisational Unit to detect in a timely manner the business areas and the processes with higher operating risk in order to take the necessary corrective actions.
In particular, the analysis focuses on the identification, within the above-mentioned operating procedures, of the activities that may generate operating risks for the Bank and of the related controls to mitigate the risks themselves.

With regards to the quantification of internal capital supporting the operating risk, as previously mentioned, the Bank uses the basic approach under the scope of determining prudential equity requirements, as prescribed by the provisions per Regulation EU 575/2013.

In this context, the internal control function verifies that said procedures, and any revisions thereof, are correctly implemented and are observed, as well as ensuring that they comply with regulations in force.

Part F - Information on Equity

Section 1 - Equity

Qualitative and quantitative information

The Bank's equity comprises the Share Capital, Reserves, Treasury Shares, Valuation Reserves and Profit (loss) for the year. All financial instruments that are not classified as financial assets or liabilities according to the IAS/IFRS are considered part of the equity.

The Bank's equity totals 247,168 thousand euros. It is detailed in the table below.

B.1 Equity: breakdown

Items/Amounts	Amount at 31/12/2020	Amount at 31/12/2019
1. Share capital	72,576	72,576
2. Share issue premiums	-	-
3. Reserves	122,057	121,280
- retained earnings	117,816	117,039
a) legal reserve	11,525	11,486
b) statutory reserve	-	-
c) treasury shares	14,059	14,059
d) other	92,232	91,494
- other	4,241	4,241
4. Capital instruments	-	-
5. (Treasury shares)	(14,059)	(14,059)
6. Valuation reserves:	61,013	57,122
- Equities at fair value through other comprehensive income	58,416	55,638
- Hedges of equities at fair value through other comprehensive income	-	-
Financial assets (other than equities) at fair value through other comprehensive income	1,450	373
- Property and equipment	-	-
- Intangible assets	-	-
- Foreign investment hedge	-	-
- Cash flow hedge	-	-
- Hedging instruments (non-designated elements)	-	-
- Foreign exchange differences	-	-
- Non-current assets held for sale and discontinued operations	-	-
- Financial liabilities at fair value through profit or loss (changes of own credit rating)	-	-
- Actuarial profit (loss) on defined benefit social security plans	(217)	(253)
- Share of valuation reserves connected with investee companies carried at equity	-	-
- Special revaluation regulations	1,364	1,364
7. Profit (loss) for the year	5,581	778
Total	247,168	237,697

Item 6. Valuation reserves, totalling 61,013 thousand euros, comprises the sub-items:

- Equities at fair value through other comprehensive income amounting to 58,416 thousand euros of which Equity investments in subsidiaries measured at fair value amounting to 53,090 thousand euros (InvestiRE SGR S.p.A. for 43,783 thousand euros, Finnat Fiduciaria S.p.A. for 2,483 thousand euros, Finnat Gestioni S.A. for 5,101 thousand euros and Natam Management Company S.A. for 1723 thousand euros) and other equities for 5,326 thousand euros.

- Financial assets (other than equities) at fair value through other comprehensive income: mainly Government bonds for 1,450 thousand euros.

- Actuarial profit (loss) on defined benefit pension plans: the portion of the IAS provisions for termination indemnities that, in accordance with IAS 19, is recognised in valuation reserves in the amount of -217 thousand euros.

- Special revaluations regulations: revaluations made on owned property in accordance with the provisions of Italian Laws no. 576 of 2 December 1975, no. 72 of 19 March 1983, no. 413 of 30 December 1991 for a total of 1,356 thousand euros and a further revaluation of 8 thousand euros performed in FY 1974.

B.2 Valuation reserves of financial assets at fair value through other comprehensive income: breakdown

Assets/amounts	Total 31/12/2020		Total 31/12/2019	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	1,450	-	670	297
2. Equities	58,904	488	56,124	486
3. Loans	-	-	-	-
Total	60,354	488	56,794	783

Item 1. Debt securities mainly concerns the fair value adjustment, after taxes, on total Government Bonds.

The reserve of item 2. Equities includes the adjustment to fair value, net of taxes, of equity investments in subsidiaries by 53,090 thousand euros.

B.3 Valuation reserves of financial assets at fair value through other comprehensive income: annual changes

	Debt securities	Equities	Loans
1. Initial amount	373	55,638	-
2. Positive changes	1,702	4,373	-
2.1 Increases in fair value	1,491	4,373	-
2.2 Losses for credit risk	36	X	-
2.3 Reclassification of negative reserve to the income statement	175	X	-
2.4 Transfers to other shareholders' equity components (equities)	-	-	-
2.5 Other changes	-	-	-
3. Negative changes	625	1,595	-
3.1 Increases in fair value	13	1,595	-
3.2 Recoveries on credit risk	482	-	-
3.3 Reclassification of positive reserve to the income statement: from disposal	130	X	-
3.4 Transfers to other shareholders' equity components (equities)	-	-	-
3.5 Other changes	-	-	-
4. Final amount	1,450	58,416	-

The comment of changes in Valuation reserves of financial assets at fair value through other comprehensive income is provided in part D - Statement of comprehensive income.

B.4 Valuation reserves related to defined benefit plans: annual changes

Reserves related to defined benefit plans are negative by 217 thousand euros and decreased by 36 thousand euros compared to 2019 (negative by 253 thousand euros).

Section 2 - Own funds and capital ratios

For supervisory purposes, the relevant aggregate equity is calculated based on the applicable regulations laid down by the Bank of Italy and constitutes the reference control data of the prudential supervisory regulations.

Own funds at 31 December 2020 amounted to 241,646 thousand euros (236,661 thousand euros at 31 December 2019), whereas the Total capital ratio, CET1 capital ratio and Tier1 ratio stood at 47.47% (45.22% at 31 December 2019). The Bank exercised the option to apply the transitional provisions for the deferment over time of the impacts of the application of the new accounting standard on own funds - illustrated in the section "Market disclosure information" in the Directors' Report on Operations. Without this application, Own funds would have been equal to 240,797 thousand euros, while the Total capital ratio, the CET1 capital ratio and the Tier1 ratio would have been equal to 47.38%.

For further details, please refer to the disclosure on own funds and on capital adequacy contained in the public disclosure ("Third Pillar") of the Banca Finnat Group.

Part H - Related party transactions

In terms of related party transactions, the Bank has complied with the Regulations for related party transactions, approved by the Board of Directors on 2 August 2013.

For further information on related party transactions carried out during the financial year, please refer to the paragraph in the Directors' Report on Operations.

As required by IAS 24, information on related party transactions is provided below.

1. Information on remuneration of key executives

As a result of the latest amendments made by Consob to its resolution no. 11971 of 14 May 1999 for the aforesaid information, please refer to the "Report on Remuneration" prepared in accordance with Article 123-ter of the Italian Consolidated Financial Law and according to form 7-bis of Annex 3A of the Issuers' Regulation.

2. Information on related party transactions

The following table shows the assets, liabilities, guarantees and commitments at 31 December 2020 separately for different types of related parties under IAS 24.

BALANCE SHEET	Financial receivables (payables)	Receivables (payables) for the domestic consolidated tax system	Other receivables (payables)	Sureties issued	Available margins on sureties and irrevocable credit lines granted
SUBSIDIARIES					
InvestiRE SGR S.p.A.	(10,048)	596	605	4,641	-
Finnat Fiduciaria S.p.A.	(1,317)	38	1	-	-
Natam Management Company S.A.	-	-	114	-	-
ASSOCIATED COMPANIES					
Imprebanca S.p.A.	(145)	-	-	47	-
MANAGEMENT WITH STRATEGIC RESPONSIBILITIES AND COMPANY REPRESENTATIVES	(1,218)	-	-	-	-
OTHER RELATED PARTIES	(49)	-	262	50	-

Receivables (payables) for the domestic consolidated tax system and Other receivables (payables) are included in the financial statement items "Other assets" and "Other liabilities".

With regard to subsidiaries and associated companies, the breakdown of main income statement items is also shown.

INCOME STATEMENT	Other operating income (Other administrative expenses)	Interest income (expense)	Dividends	Fee and commission income (expense)
SUBSIDIARIES				
InvestiRE SGR S.p.A.	27	26	3174	58
Finnat Fiduciaria S.p.A.	2	3	80	29
Finnat Gestioni SA	1	-	294	-
Natam Management Company S.A.	(7)	-	-	463
ASSOCIATED COMPANIES				
Imprebanca S.p.A.	-	1	-	-

Part L - Segment Reporting

The Bank draws up the segment reporting in part L of the Notes to the Consolidated Financial Statements, exercising the option granted by Bank of Italy's Circular no. 262 of 22 December 2005 and subsequent amendments.

PART M - DISCLOSURE ON LEASES

This section contains the information required by IFRS 16 which is not present in the other parts of the financial statements.
In particular, rights of use acquired under a lease amount to 7,384 thousand euros at 31 December 2020, of which 6,982 thousand euros relating to property leases. Lease payables amounted to 7,595 thousand euros. Please refer to said sections for more details.

Section 1 - Lessee

QUALITATIVE INFORMATION

At 31 December 2020, there were 46 leases, of which i) 15 relating to buildings; ii) 2 relating to electronic systems; iii) 29 relating to other types (of which 26 cars).

A total of 94.6% of the value of rights of use booked to balance sheet assets refers to property leases, which primarily include properties for office and bank branch use and, to a lesser extent, employee accommodation. The property leases recognised in rights of use, all relating to assets located in Italy, have durations exceeding 12 months and typically have renewal or extinguishment options that can be exercised by the lessor and the lessee according to the legal or contractual provisions. The contracts do not make provision for forward purchases of properties; in addition, the leases do not envisage significant restoration costs.
As set out in the Banca Finnat Group's Policy, adopted by the Group companies to govern the methods of identification, evaluation and accounting recognition of leases, in the event of the signing of new rental contracts, the duration of the lease is determined by taking into account the expiry of the contracts and any options set out in the lease, such as, for example, lease extension or termination options. In particular, in the largely prevailing cases of leases drafted according to the provisions of Law 392/1978, with a contractual duration of six years and the option of tacitly renewing the six-year lease by six years, the total duration of the lease is set at twelve years. In cases in which the analysis of the individual leases results in new elements or specific situations, this general indication is superseded.

Leases relating to electronic system concern 0.3% of the value of rights of use recognised in balance sheet assets.

Leases relating to other types concern 5.1% of the value of rights of use recognised in balance sheet assets and refer, for 3.4%, to long-term rental contracts relating to cars provided to employees, directors (personal and business use) or made available to the Bank branches and other Group offices, and for the remainder to ATMs and TCRs pertaining exclusively to the Bank. Almost all car contracts have a 5-year duration and do not include an option to buy the asset. Furthermore, no provision is made for renewal options but the contracts can be extended based on management of the fleet of cars; in the event of early termination, a penalty will generally be applied. Lease fees are paid early on a monthly basis.

In 2020, Banca Finnat did not carry out any sale or leaseback transactions.

As regards sub-leasing, bear in mind that the Bank has a single sub-lease in place on a portion of a property for an insignificant amount.

Based on the provisions of the Policy, cited above, the Banca Finnat Group avails itself of the exemptions set out in IFRS 16 and, subsequently: i) the provisions regarding the recognition, initial measurement, subsequent measurement, presentation and disclosure in the financial statements of short-term leases with a duration of equal to or less than 12 months and leases in which the underlying asset is of a low value are not applied; low value means 5 thousand euros; ii) in consideration of the option in the provisions of IFRS 16.4, the Bank decided not to apply the standard to any operating leases on intangible assets.

QUANTITATIVE INFORMATION

Part B - Assets in the Notes to the Financial Statements shows, respectively, the information on the rights of use acquired:

- Table 8.1 - Property and equipment used in operation: breakdown of assets measured at cost.
- Table 8.6 - Intangible assets used in operation: annual changes and Table IFRS 16 - Property and equipment used in operation: annual changes.

Part B - Liabilities shows: lease payables:

- Table 1.2 - Financial liabilities at amortised cost: breakdown by product of due to customers.
- Table 1.6 - Lease payables.

Lastly, please refer to the specific sections contained in Part C of the Notes to the Financial Statements for information concerning:

- interest income and interest expense relating to lease payables (Section 1 Interest - Tables 1.1 and 1.3);
- depreciation of right-of-use assets (Section 14 - Net losses/recoveries on property and equipment).

Section 2 - Lessor

As of today, the Bank has no transactions in place involving the transfer of assets, either under an operating or finance lease.

Significant non-recurring operations and positions or transactions deriving from atypical and/or unusual operations

Pursuant to the Consob Communication DEM/6064293 of 28 July 2006, it should be noted that:

- in 2020, no non-recurring events occurred or were carried out, meaning events or operations that do not usually take place, in connection with ordinary business operations;
- no atypical and/or unusual transactions took place during 2020, either within the Group or with related or third parties. Atypical and/or unusual transactions are those operations which, due to their magnitude/importance, to the nature of the counterparty, to the subject matter of the transaction and to the method for determining the transfer price and time frame (close to the year-end), may give rise to doubts as to: the accuracy/completeness of the information set out in the financial statements, any conflict of interest, the safeguarding of the company's net worth and the protection of minority interests.

The most significant transactions in the 2020 financial year are commented on in the Directors' Report on Operations.

ATTACHMENTS TO THE SEPARATE FINANCIAL STATEMENTS

- Changes in Equity investments

Changes in Equity Investments (amounts in euros)

	31/12/2019		Acquisitions, subscriptions and reclassifications		Sales and liquidations		Profit (loss)	Changes in fair value/impairment	31/12/2020	
	No. of shares or units	Value	No. of shares or units	Value	No. of shares or units	Value			No. of shares or units	Value
Subsidiaries										
Finnat Fiduciaria S.p.A.	300,000	7,770,276	-	-	-	-	-	(1,200,060)	300,000	6,570,216
InvestiRE SGR S.p.A.	7,409	54,656,488	-	-	-	-	-	3,043,585	7,409	57,700,073
Finnat Gestioni S.A.	525	5,885,051	-	-	-	-	-	(369,811)	525	5,515,240
Natam Management Company S.A.	750	2,072,337	-	-	-	-	-	423,998	750	2,496,335
Total subsidiaries (A)		70,384,152	-	-	-	-	-	1,897,712		72,281,864
Companies subject to joint control										
Liphe S.p.A.	750,000	150,000	-	-	-	-	-	-	750,000	150,000
Aldia S.p.A.	1,300,000	390,000	-	-	-	-	-	-	1,300,000	390,000
Total companies subject to joint control (B)		540,000	-	-	-	-	-	-		540,000
Companies subject to significant influence				-	-	-	-			
Prèvira Invest SIM S.p.A. in liquidation	30,000	9,400		-	-	-	-	-	30,000	9,400
Imprebanca S.p.A.	10,000,000	6,175,943		-	-	-	-	(73,073)	10,000,000	6,102,870
Total companies subject to significant influence (C)		6,185,343	-	-	-	-	-	(73,073)		6,112,270
Total (A+B+C)		77,109,495	-	-	-	-	-	1,824,639		78,934,134

Relazione del Collegio sindacale all'Assemblea degli Azionisti di Banca Finnat Euramerica SpA
(ai sensi dell'Art. 153 D.Lgs. 24 febbraio 1998 n. 58)
Esercizio chiuso il 31 dicembre 2020

Signori Azionisti,

il Collegio Sindacale di Banca Finnat Euramerica S.p.A., ai sensi dell'art. 153 del D.Lgs. n. 58 del 1998 è chiamato a riferire all'Assemblea degli Azionisti, convocata per l'approvazione del bilancio, sull'attività di vigilanza svolta nel corso dell'esercizio nell'adempimento dei propri doveri, sulle omissioni e sui fatti censurabili eventualmente rilevati e sui risultati dell'esercizio sociale. Il Collegio è altresì chiamato ad avanzare eventuali proposte in ordine al bilancio e alla sua approvazione.

La presente relazione riferisce sull'attività svolta dal Collegio della Società nell'esercizio chiuso al 31 dicembre 2020.

Il Collegio in carica alla data della presente Relazione è stato nominato dall'Assemblea degli Azionisti del 27 aprile 2018 ed è composto da Alberto De Nigro (Presidente), Barbara Fasoli Braccini (Sindaco effettivo) e Francesco Minnetti (Sindaco effettivo).

Nel corso dell'esercizio chiuso il 31 dicembre 2020, il Collegio ha svolto l'attività di vigilanza prevista dalla legge (e, in particolare, dall'art. 149 del TUF e dall'art. 19 del D.Lgs. n. 39 del 2010), tenuto conto dei principi di comportamento del Collegio Sindacale di società quotate raccomandati dal Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili, e delle disposizioni Consob in materia di controlli societari.

La revisione legale dei conti spetta, invece, alla società KPMG S.p.A. alla quale, in data 1 agosto 2019, è stata affidata dall'Assemblea degli Azionisti per un novennio detta attività.

Attività di vigilanza sull'osservanza della legge e dello statuto

Il Collegio ha acquisito le informazioni strumentali allo svolgimento dei compiti di vigilanza ad esso attribuiti mediante la partecipazione alle riunioni del Consiglio di Amministrazione, alle audizioni del Management della Società e del Gruppo, agli incontri con la Società di Revisione, all'analisi dei flussi informativi acquisiti dalle competenti strutture aziendali e dalle Funzioni di Controllo (in particolare Compliance, Antiriciclaggio, Internal Auditing e Controllo Rischi), nonché ulteriori attività di controllo.

L'attività di vigilanza sopra descritta è stata svolta nel corso di 24 riunioni del Collegio, nonché assistendo a tutte le riunioni del Consiglio di Amministrazione, che sono state tenute in numero complessivo di 15. Inoltre, il Collegio ha partecipato alle 12 riunioni del Comitato Rischi e alle 5 riunioni del Comitato Remunerazioni e alla Assemblea del 29 aprile 2020.

Si fa presente infine che il Comitato per le Nomine si è riunito n. 4 volte nel corso dell'anno.

Si precisa, inoltre, che nel corso dell'attività di vigilanza svolta e sulla base delle informazioni ottenute dalla Società di Revisione, non sono state rilevate omissioni, fatti censurabili o irregolarità o comunque fatti significativi, tali da richiederne la segnalazione agli organi di controllo.

Inoltre, il Collegio:

- ai sensi dell'art. 150, commi 1 e 3 del TUF:

(i) ha ottenuto dagli Amministratori adeguate informazioni sull'attività svolta e sulle operazioni di maggior rilievo economico, finanziario e patrimoniale effettuate dalla Società e dalle società controllate, assicurandosi che le azioni deliberate e poste in essere fossero conformi alla legge e allo statuto sociale, non fossero in potenziale conflitto di interessi o in contrasto con le delibere assunte dall'Assemblea, non fossero manifestamente imprudenti o azzardate o tali da compromettere l'integrità del patrimonio aziendale.

In particolare, si segnalano – come già fatto dagli Amministratori nella loro Relazione alla quale si rinvia per maggiori approfondimenti – le seguenti operazioni ed eventi di particolare rilevanza nel 2020:

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- In data 25 marzo 2020 il Giudice Delegato alla procedura ha disposto il rinvio, al 25 settembre 2020, dell'udienza di stato passivo del fallimento Bio-On, originariamente fissata per il giorno 17 aprile 2020. A seguito delle note vicende che hanno riguardato la società Bio-On, già ampiamente descritte nel bilancio 2019, la Banca ha presentato, nei termini, apposita domanda di ammissione di credito al passivo fallimentare. Si segnala inoltre che la Banca il 16 luglio 2020 ha sottoscritto con i liquidatori della società Bio-On una integrazione dei patti parasociali esistenti sulle società Aldia e Liphe al fine di regolare alcune fattispecie e disciplinare un assetto di governance coerente con l'effettiva operatività di dette società. In data 25 settembre 2020 il Giudice Delegato del fallimento Bio-On, ha emanato il decreto di esecutività dello stato passivo. La Banca è stata ammessa come da richiesta a suo tempo presentata, tra i crediti chirografari per Euro 15.278 migliaia.
- In data 29 aprile 2020 l'Assemblea degli Azionisti della Banca:
  - ha approvato il Bilancio al 31 dicembre 2019 e la destinazione dell'utile dell'esercizio 2019 a riserva;
  - ha approvato la Politica di Remunerazione redatta ai sensi dell'art. 123-ter del D.Lgs. 58/98.
  - In data 19 novembre 2020 è stata data esecuzione agli accordi sottoscritti tra gli attuali soci di REDO SGR (Fondazione Cariplo per il 66,7% e InvestiRE per il 33,3%) e gli acquirenti Cassa Depositi e Prestiti S.p.A. e Banca Intesa San Paolo. L'operazione si è perfezionata a conclusione dell'iter che ha portato i due Istituti ad ottenere l'autorizzazione da parte della Banca d'Italia per l'acquisto di una partecipazione rispettivamente del 30% e del 10% del capitale sociale di REDO SGR S.p.A. In esecuzione degli accordi è stato sottoscritto l'atto definitivo di compravendita di 10 milioni di azioni da parte degli attuali soci di REDO SGR (di cui un terzo da parte di InvestiRE SGR) a favore degli acquirenti, per un valore complessivo pari a Euro 1 milione; inoltre è stato perfezionato l'aumento del capitale di REDO SGR a 20 milioni di Euro mediante la sottoscrizione da parte degli acquirenti per un importo, comprensivo del prezzo di sottoscrizione, pari a Euro 7 milioni. A conclusione dell'operazione il capitale sociale di REDO SGR risulta suddiviso in 200 milioni di azioni, ripartito come segue: 40 % Fondazione Cariplo, 30% Cassa Depositi e Prestiti S.p.A., 20%, InvestiRE e 10% Intesa San Paolo.

Nel periodo intercorso tra la chiusura dell'esercizio 2020 e la data di redazione del bilancio non sono emersi eventi o fatti di rilievo che comportino la rettifica della situazione economica, patrimoniale e finanziaria del Gruppo. La Relazione sulla Gestione fa comunque specifico riferimento al fatto che in data 8 marzo 2021 Covivio 7 S.p.A. (già Beni Stabili Siiq) - azionista di InvestiRE SGR con una quota del 17,89% - ha ceduto l'intera quota di partecipazione (pari a n. 2.643 azioni) a Banca Finnat; contestualmente la Banca ha venduto l'8,9% (pari a n.1.315) delle azioni acquistate a E.N.P.A.F.- Ente Nazionale di Previdenza e di Assistenza Farmacisti.

Tale operazione ha permesso l'ingresso nel capitale di Investire di E.N.P.A.F. che, come storico quotista della SGR, potrà contribuire allo sviluppo strategico di InvestiRE. La Banca, a conclusione dell'operazione, ha incrementato la propria partecipazione in Investire Immobiliare SGR dal 50,16% al 59,15%.

Con riferimento, invece, alla pandemia in corso nella Relazione si legge che in tale contesto la Banca ha rafforzato ulteriormente i presidi sanitari e incrementato il numero dei lavoratori in smart working, estendendo tale modalità di lavoro anche alle strutture di business.

Il Comitato per l'emergenza coronavirus della Banca segue nel continuo l'evoluzione della pandemia a livello nazionale al fine di fornire indicazioni per affrontare tutte le casistiche che potrebbero manifestarsi.

Viene evidenziato che, nonostante la situazione di grande emergenza, la Banca ha assicurato e assicura la continuità operativa nei confronti di controparti e mercato garantendo sempre con la massima efficienza il servizio offerto alla clientela sia in filiale che tramite i canali remoti.

(ii) ha tenuto riunioni con gli esponenti della Società di Revisione e non sono emersi dati e/o informazioni rilevanti che debbano essere evidenziati nella presente relazione;

- ai sensi dell'art. 151, commi 1 e 2, del TUF:
  - ha avuto uno scambio di informazioni con i Collegi Sindacali delle società direttamente controllate.

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- ha ricevuto dall'Organismo di Vigilanza (di seguito, l'"OdV"), composto da due membri del Collegio e da un membro esterno, informazioni circa la propria attività, dalla quale non risultano anomalie o fatti significativi censurabili.

Sulla base delle informazioni acquisite, ha rilevato l'osservanza degli obblighi informativi in materia di informazioni regolamentate, privilegiate ovvero richieste dalle autorità di vigilanza.

Attività di vigilanza sul rispetto dei principi di corretta amministrazione e sull'adeguatezza dell'assetto organizzativo

Il Collegio:

- ha acquisito conoscenza e vigilato, per quanto di propria competenza, sull'adeguatezza della struttura organizzativa della Società e sul rispetto dei principi di corretta amministrazione, tramite osservazioni dirette, raccolta di informazioni dai responsabili delle funzioni aziendali e incontri con la Società di Revisione ai fini del reciproco scambio di dati e informazioni rilevanti e a tale riguardo non ha osservazioni particolari da riferire;

- ha valutato e vigilato sull'adeguatezza del sistema amministrativo-contabile, nonché sull'affidabilità di quest'ultimo a rappresentare correttamente i fatti di gestione, mediante l'ottenimento di informazioni dai responsabili delle rispettive funzioni, l'esame di documenti aziendali e l'analisi dei risultati del lavoro svolto dalla Società di Revisione e a tale riguardo non ha osservazioni particolari da riferire.

Sulla base delle informazioni acquisite, il Collegio dà atto che le scelte gestionali sono ispirate al principio di corretta informazione e di ragionevolezza e che gli Amministratori sono consapevoli della rischiosità e degli effetti delle operazioni compiute.

Il Consiglio di Amministrazione vigila sul generale andamento della gestione, con particolare attenzione alle situazioni di conflitto di interessi, tenendo in considerazione, in particolare, le informazioni ricevute dall'Amministratore Delegato, dal Comitato Rischi, nonché confrontando periodicamente i risultati conseguiti con quelli programmati.

Rileviamo che nel Consiglio di Amministrazione sono presenti cinque amministratori indipendenti e riteniamo che il numero di consiglieri indipendenti sia adeguato rispetto alla composizione dell'intero Consiglio.

Si rileva inoltre che l'Amministratore Delegato rende periodicamente conto al Consiglio di Amministrazione delle attività svolte nell'esercizio delle deleghe.

Abbiamo preso atto che, in ottemperanza all'art. 123-bis del D.Lgs. 58/1998, la Banca – aderente al Codice di Autodisciplina del Comitato per la Corporate Governance delle Società quotate – ha elaborato la Relazione sul Governo Societario.

Il Collegio non ha rilevato nel corso dell'esercizio chiuso al 31 dicembre 2020 l'esistenza di operazioni atipiche e/o inusuali con società del Gruppo, con terzi o con parti correlate.

Come precisato dagli Amministratori nelle Nota integrativa al bilancio consolidato e al bilancio d'esercizio, le operazioni poste in essere con società del Gruppo o con parti correlate sono regolate a valori normali e correnti condizioni di mercato.

In riferimento a tali operazioni, il Collegio ritiene adeguate le informazioni rese nel progetto di bilancio della Società cui la presente relazione si riferisce.

Il Collegio ha verificato l'esistenza di un corretto flusso di informazioni con le società controllate e/o partecipate, ricevendo conferma circa la sussistenza di disposizioni impartite dalla Società ai sensi dell'art. 114, comma 2 del TUF.

Ed in tale ambito abbiamo proceduto allo scambio di informazioni con i Collegi Sindacali delle società controllate anche mediante riunione collegiale. Nei contatti intercorsi con tali organi di controllo non sono emersi aspetti di particolare rilievo.

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Con specifico riferimento alle attività previste dal Testo Unico sulla Revisione Legale, si segnala quanto segue.

Informativa al Consiglio di Amministrazione sull'esito della revisione legale e sulla relazione aggiuntiva di cui all'art. 11 del Regolamento europeo (Reg. UE 537/2014)

Il Collegio rappresenta che la società di revisione KPMG S.p.A. ha rilasciato in data 30 marzo 2021 la relazione aggiuntiva ex art. 11 del Regolamento europeo, che rappresenta i risultati della revisione legale dei conti effettuata e include la dichiarazione relativa all'indipendenza di cui all'art. 6, paragrafo 2, lettera a), del Regolamento, oltre che le informative richieste dall'art. 11 del medesimo Regolamento, senza individuare carenze significative. Il Collegio Sindacale provvederà ad informare il Consiglio di Amministrazione della Società in merito agli esiti della revisione legale, trasmettendo a tal fine la relazione aggiuntiva, corredata da eventuali osservazioni, ai sensi dell'art. 19 del D.Lgs. 39/2010.

Attività di vigilanza sul processo di informativa finanziaria

Il Collegio ha verificato l'esistenza di norme e procedure a presidio del processo di formazione e diffusione delle informazioni finanziarie.

A tale proposito, la Relazione annuale sul governo societario e gli assetti proprietari definisce le linee guida di riferimento per l'istituzione e la gestione del sistema delle procedure amministrative e contabili. Il Collegio ha esaminato, con l'assistenza del Dirigente Preposto alla redazione dei documenti contabili e societari, Dott. Giulio Bastia, le procedure relative all'attività di formazione del bilancio della Società e del bilancio consolidato, oltre che degli altri documenti contabili periodici.

Si evidenzia che il Dirigente preposto è stato nominato dal Consiglio di Amministrazione della Società in data 9 febbraio 2017, con parere favorevole del Collegio, in quanto giudicato in possesso di un'adeguata esperienza in materia di amministrazione, finanza e controllo e, quindi, di tutti i requisiti di professionalità previsti dalla legge e dallo statuto.
Il Collegio Sindacale ha, inoltre, avuto evidenza del processo che consente al Dirigente preposto e all'Amministratore a ciò delegato di rilasciare le attestazioni previste dall'art. 154-bis del TUF.

Il Collegio Sindacale è stato informato che le procedure amministrative e contabili per la formazione del bilancio e di ogni altra comunicazione finanziaria sono predisposte sotto la responsabilità del Dirigente preposto, il quale, congiuntamente all'Amministratore a ciò delegato, ne attesta l'adeguatezza e l'effettiva applicazione in occasione del bilancio di esercizio, di quello consolidato e della relazione finanziaria semestrale.

Sono state rilasciate da parte dell'Amministratore a ciò delegato e del Dirigente preposto le attestazioni del bilancio consolidato e del bilancio d'esercizio ai sensi dell'art. 81-ter del Regolamento Consob del 14 maggio 1999 e successive modifiche e integrazioni.

Il Collegio Sindacale esprime, pertanto, una valutazione di adeguatezza del processo di formazione dell'informativa finanziaria e ritiene non sussistano rilievi da sottoporre all'Assemblea.

Attività di vigilanza sull'efficacia dei sistemi di controllo interno, di revisione interna e di gestione del rischio e sulla revisione legale dei conti annuali e dei conti consolidati

Il Collegio ha valutato e vigilato sull'adeguatezza del sistema di controllo interno e sull'efficacia dei sistemi di controllo interno e di gestione del rischio.

Inoltre, il Consiglio di Amministrazione ha individuato al proprio interno un amministratore – l'Amministratore delegato - esecutivo incaricato di sovrintendere alla funzionalità del sistema di controllo interno.

In particolare, il Collegio, nell'ambito degli incontri periodici avuti con Responsabile dell'Internal Audit è stato compiutamente informato in merito agli interventi di Internal Audit finalizzati a verificare l'adeguatezza e l'operatività del sistema di controllo interno e il rispetto della normativa interna ed esterna, nonché sull'attività di gestione del rischio.

In data 19 marzo 2021, il Responsabile dell'Internal Audit ha rilasciato la propria relazione per l'esercizio 2020 ove viene rappresentato che il sistema di controllo interno e di gestione dei rischi adottato dalla banca conferma, nel complesso, un buon livello di adeguatezza ed efficacia.

Ulteriormente, il Collegio Sindacale, a seguito della attribuzione a due dei suoi membri anche delle funzioni spettanti all'Organismo di Vigilanza di cui all'articolo 6, comma 4bis del D.Lgs.

231/2001 sulla responsabilità amministrativa degli enti, ha preso visione e ottenuto informazioni sull'attività di carattere organizzativo e procedurale posta in essere dalla Banca ai sensi del citato Decreto.

L'Organismo di Vigilanza ha relazionato sulle attività svolte nel corso dell'esercizio 2020 senza segnalare profili di criticità degni di menzione, evidenziando una situazione nel complesso soddisfacente e di sostanziale allineamento a quanto previsto dal Modello di Organizzazione, Gestione e Controllo.

Attività di vigilanza sulla revisione legale del bilancio d'esercizio e del bilancio consolidato

- la contabilità è stata sottoposta ai controlli previsti dalla normativa da parte della Società di Revisione KPMG S.p.A., alla quale, come detto, l'Assemblea degli Azionisti del 1 agosto 2019 ha conferito l'incarico di revisore legale dei conti per gli esercizi 2020/2028. Nel corso degli incontri periodici avuti con il Collegio, la Società di Revisione non ha evidenziato rilievi a riguardo;

- il Collegio Sindacale: (i) ha analizzato l'attività svolta dalla società di revisione e, in particolare, l'impianto metodologico, l'approccio di revisione utilizzato per le diverse aree significative di bilancio e la pianificazione del lavoro di revisione; (ii) ha condiviso con la società di revisione le problematiche relative ai rischi aziendali, potendo così apprezzare l'adeguatezza della risposta pianificata dal revisore in termini di approccio di revisione con i profili, strutturali e di rischio, della Società e del Gruppo;

- nel corso dell'anno il Collegio Sindacale ha periodicamente incontrato, come riportato in precedenza, il Dirigente preposto alla redazione dei documenti contabili e societari.

La Società di Revisione legale ci ha informato che, nel corso della sua attività di riscontro e di verifica dei dati per il bilancio e nel corso delle verifiche trimestrali, non è venuta a conoscenza di atti o fatti ritenuti censurabili o degni di segnalazione. Essa ha rilasciato in data 30 marzo 2021 la relazione sulla revisione del bilancio d'esercizio e la relazione sulla revisione del bilancio consolidato. Sul punto si rappresenta che:

- o entrambe le relazioni contengono: (i) il giudizio di rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria di Banca Finnat Euramerica S.p.A. e del Gruppo al 31 dicembre 2020, del risultato economico e dei flussi di cassa per l'esercizio chiuso a tale data in conformità agli International Financial Reporting Standards adottati dall'Unione Europea nonché ai provvedimenti emanati in attuazione dell'art. 9 del D.Lgs. 38/05 e dell'art. 43 del D.Lgs. 18 agosto 2015, n. 136; (ii) la descrizione degli aspetti chiave della revisione e le procedure di revisione in risposta agli aspetti chiave; (iii) il giudizio di coerenza della relazione sulla gestione con il bilancio d'esercizio e consolidato al 31 dicembre 2020 e sulla conformità della stessa alle norme di legge; (iv) il giudizio di coerenza di alcune specifiche informazioni della relazione sul governo societario e gli assetti proprietari indicate nell'art. 123-bis, comma 4, del D.Lgs. 58/1998 con il bilancio d'esercizio e consolidato al 31 dicembre 2020; (v) la conferma che il giudizio sul bilancio d'esercizio e il giudizio sul bilancio consolidato espresso nelle rispettive relazioni sono in linea con quanto indicato nella relazione aggiuntiva destinata allo scrivente Collegio Sindacale, nella sua funzione di comitato per il controllo interno e la revisione contabile, predisposta ai sensi dell'art. 11 del Regolamento europeo;
- o le citate relazioni non contengono rilievi né richiami di informativa.

Infine, si informa che, a norma dell'art.6, comma 1 del D.Lgs. n. 254 del 2016, La Società non ha provveduto alla redazione della Dichiarazione consolidata di carattere non finanziaria, non ricorrendone i presupposti di legge.

Indipendenza della Società di Revisione

Il Collegio Sindacale ha vigilato, anche con riferimento a quanto previsto dall'art. 19 del D.Lgs. 39/2010, sull'indipendenza della società di revisione KPMG S.p.A., verificando la natura e l'entità dei servizi diversi dal controllo contabile prestati alla Banca e alle sue controllate da parte della stessa società di revisione e delle entità appartenenti al network della medesima.

Nella relazione finanziaria annuale al bilancio, al quale si rinvia, è stata data completa informativa sui compensi corrisposti dalla Banca, e dalle sue controllate alla società di revisione KPMG S.p.A., inclusa la sua rete, ai sensi dell'articolo 149 duodecies del Regolamento Emittenti.

I compensi corrisposti nel 2020, senza considerare il contributo Consob e le spese vive, sono:

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Revisione contabile € 143 mila
Altri servizi € 3 mila

La revisione contabile riguarda la revisione dei bilanci d'esercizio, i controlli contabili del Gruppo nonché il bilancio consolidato e la relazione semestrale consolidata della Capogruppo.

Si precisa che nell'ambito della categoria "Altri servizi" (diversi dalla revisione contabile e dai servizi di attestazione) resi da KPMG S.p.A. per € 3 mila gli stessi si riferiscono alla Finnat Gestioni e sono relativi alla Revisione LRD (legge svizzera sul riciclaggio del denaro).

L'incidenza degli "Altri servizi" rispetto alla "Revisione contabile" e ai "Servizi di attestazione (connessi alla revisione contabile)" è pertanto pari al 2,00%.

Alla luce di quanto esposto, il Collegio ritiene quindi sussistente il requisito di indipendenza della società di revisione KPMG S.p.A., che ha fornito, con lettera allegata alla Relazione aggiuntiva ex art. 11 del regolamento europeo, conferma annuale della propria indipendenza ai sensi dell'art. 6 paragrafo 2) lett. a) del Regolamento Europeo 537/2014 e ai sensi del paragrafo 17 dell'ISA Italia 260.

Attività di vigilanza sui rapporti con società controllate e controllanti e sulle operazioni con parti correlate

Come già anticipato, il Collegio ha verificato le operazioni con parti correlate e/o infragruppo di natura ordinaria o ricorrente, in merito alle quali riferisce quanto segue.

Le operazioni infragruppo, di natura sia commerciale sia finanziaria, riguardanti le società controllate e la società controllante, sono regolate su basi equivalenti a quelle prevalenti in transazioni tra parti indipendenti.

Esse trovano adeguata descrizione nell'ambito del bilancio. In particolare, nella parte H della Nota Integrativa al bilancio consolidato, sono riportati i saldi economici e patrimoniali derivanti dai rapporti, di natura commerciale e finanziaria, derivanti dai rapporti della Società con parti correlate.

Si precisa che le transazioni con parti correlate non includono operazioni atipiche o inusuali, ossia estranee alla normale gestione d'impresa.

Omissioni o fatti censurabili, altri pareri resi, azioni intraprese

Il Collegio dà atto che:

- nel corso dell'esercizio ha rilasciato i seguenti pareri:
    - espresso voto favorevole, ai sensi art. 136 D.Lgs n. 385/1993 e successive modifiche, su operazioni creditizie;
    - verificato la corretta applicazione dei criteri e delle procedure di accertamento adottate dal Consiglio di Amministrazione per valutare i requisiti di onorabilità, professionalità ed indipendenza dei suoi membri;
    - accertato che i requisiti di indipendenza dei componenti il Collegio già sussistenti all'atto di nomina permangono;
    - seguito il processo di formazione e approvazione del resoconto ICAAP e ILAAP;
    - espresso parere favorevole su delibera quadro operazioni con Parti Correlate.
- non sono state presentate denunce di cui all'art. 2408 cod. civ., così come non sono stati presentati esposti di alcun genere;
- non è stato necessario presentare all'Assemblea le proposte così come previsto dall'art. 153, comma 2 del D.lgs. 58/98, né il Collegio si è avvalso dei poteri di convocazione dell'Assemblea o del Consiglio di Amministrazione.

Bilancio d'esercizio, bilancio consolidato e relazione sulla gestione

Con specifico riguardo all'esame del bilancio d'esercizio chiuso al 31 dicembre 2020, del bilancio consolidato (redatti in base ai principi contabili internazionali IAS/IFRS emessi dall'International Accounting Standards Board (IASB) adottati dall'Unione Europea, nonché conformemente ai provvedimenti emanati in attuazione dell'art. 9, comma 3 del D.Lgs. n. 38 del 2005 e dell'art. 43 del D.Lgs. n. 136 del 2015) e della Relazione sulla gestione, il Collegio riferisce quanto segue:

- il fascicolo di bilancio è stato consegnato al Collegio in tempo utile affinché sia depositato presso la sede della Società corredato dalla presente relazione;
- ha verificato che il bilancio della Società e il bilancio consolidato risultano redatti secondo la struttura e gli schemi imposti dalle norme vigenti e sono accompagnati dai documenti previsti dal codice civile e dal TUF;
- ha verificato la razionalità dei procedimenti valutativi applicati e la loro rispondenza alle logiche dei principi contabili internazionali
- ha verificato la rispondenza del bilancio ai fatti e alle informazioni di cui si è avuta conoscenza a seguito dell'espletamento dei doveri che gli competono; non si hanno, quindi, osservazioni al riguardo;
- per quanto a conoscenza del Collegio, gli Amministratori, nella redazione del bilancio, non hanno derogato alle norme di legge ai sensi dell'art. 2423, comma 4, cod. civ.;
- ha verificato l'osservanza delle norme di legge inerenti la predisposizione della relazione sulla gestione e a tale riguardo non si hanno osservazioni da riferire.

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Tenuto conto di tutto quanto precede, sotto i profili di nostra competenza, non rileviamo motivi ostativi circa l'approvazione del bilancio al 31 dicembre 2020 e delle proposte di delibera formulate dal Consiglio di Amministrazione.

Con l'approvazione del bilancio al 31 dicembre 2020 scade il mandato del Collegio Sindacale nominato dall'assemblea del 27 aprile 2018. Siete pertanto chiamati a nominare ai sensi di legge e dello statuto il nuovo Collegio Sindacale

Roma, 30 marzo 2021

Per Il Collegio Sindacale
Il Presidente
Alberto De Nigro

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KPMG S.p.A.
Revisione e organizzazione contabile
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(Translation from the Italian original which remains the definitive version)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
Banca Finnat Euramerica S.p.A.

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of Banca Finnat Euramerica S.p.A. (the "bank"), which comprise the statement of financial position as at 31 December 2020, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of Banca Finnat Euramerica S.p.A. as at 31 December 2020 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and article 43 of Legislative decree no. 136/15.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the separate financial statements*" section of our report. We are independent of the bank in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the separate financial statements of the current year. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of equity investments

Notes to the separate financial statements "Part A – Accounting policies": section 4 – Other matters "Risks and uncertainties and impacts of Covid-19", paragraph A.2.5 "Equity investments", paragraph A.4 "Fair value"

Notes to the separate financial statements "Part B - Notes to the statement of financial position - Assets": section 7 - "Equity investments

Notes to the separate financial statements "Part D – Comprehensive income"

Key audit matter	Audit procedures addressing the key audit matter
The separate financial statements at 31 December 2020 include investments in subsidiaries measured at fair value through other comprehensive income of €72 million and valuation reserves relating to these equity investments of €53 million. The pre-tax fair value gain on these equity investments recognised in other comprehensive income for the year totals €1.9 million. Since they do not have a quoted price on an active market, the directors have classified these equity investments at level 3 of the fair value hierarchy. Measuring equity investments requires a high level of judgement in relation to the complexity of the models and parameters used. The complexity of the above procedure has increased in 2020 due to the Covid-19 emergency which has severely affected economic conditions and potential future macroeconomic scenarios. For the above reasons, we believe that the measurement of equity investments is a key audit matter.	Our audit procedures included: — understanding the processes adopted by the bank to measure equity investments; — assessing the design and implementation of controls and performing procedures to assess the operating effectiveness of material controls, especially in relation to the measurement of equity investments, also in the light of the financial effects of the Covid-19 pandemic; — analysing the reasonableness of the measurement methods and significant inputs and how the directors applied them; we carried out these procedures with the assistance of experts of the KPMG network; — checking the sensitivity analysis through the changes to the main assumptions used by the directors, including the cost of capital and the long-term growth rate; we carried out these procedures with the assistance of experts of the KPMG network; — assessing the appropriateness of the disclosures about equity investments, also in the light of the increased disclosure requirements currently applicable as a result of the Covid-19 pandemic.

Comparative figures

The bank's 2019 separate financial statements were audited by other auditors, who expressed their unqualified opinion thereon on 30 March 2020.

Responsibilities of the bank's directors and board of statutory auditors ("Collegio Sindacale") for the separate financial statements

The directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and article 43 of Legislative decree no. 136/15 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the bank's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the separate financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the bank or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the bank's financial reporting process.

Auditors' responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the bank to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 1 August 2019, the bank's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2020 to 31 December 2028.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the bank in conducting the statutory audit.

We confirm that the opinion on the separate financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The bank's directors are responsible for the preparation of the reports on operations and on corporate governance and ownership structure at 31 December 2020 and for the consistency of such reports with the related financial statements and their compliance with the applicable law.

Banca Finnat Euramerica S.p.A.
Independent auditors' report
31 December 2020

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the report on operations and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the bank's separate financial statements at 31 December 2020 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the report on operations and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the bank's separate financial statements at 31 December 2020 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Rome, 30 March 2021

KPMG S.p.A.

(signed on the original)

Riccardo De Angelis
Director of Audit

ATTESTAZIONE DEL BILANCIO D'ESERCIZIO AI SENSI DELL'ART. 81-TER DEL REGOLAMENTO CONSOB N. 11971 DEL 14 MAGGIO 1999 E SUCCESSIVE MODIFICHE E INTEGRAZIONI

1. I sottoscritti Arturo Nattino in qualità di Amministratore Delegato e Giulio Bastia in qualità di Dirigente preposto alla redazione dei documenti contabili societari di Banca Finnat Euramerica S.p.A. attestano, tenuto anche conto di quanto previsto dall'art. 154-bis, commi 3 e 4, del decreto legislativo 24 febbraio 1998, n. 58:
   - l'adeguatezza in relazione alle caratteristiche dell'impresa e
   - l'effettiva applicazione

   delle procedure amministrative e contabili per la formazione del Bilancio di esercizio al 31 dicembre 2020.

2. Al riguardo non sono emersi aspetti di rilievo.

3. Si attesta, inoltre, che:

   3.1. il Bilancio d'esercizio:

   a. è redatto in conformità ai principi contabili internazionali applicabili riconosciuti nella Comunità europea ai sensi del regolamento (CE) n. 1606/2002 del Parlamento europeo e del Consiglio, del 19 luglio 2002;
   b. corrisponde alle risultanze dei libri e delle scritture contabili;
   c. è idoneo a fornire una rappresentazione veritiera e corretta della situazione patrimoniale, economica e finanziaria dell'emittente.

   3.2 La Relazione sulla gestione comprende un'analisi attendibile dell'andamento e del risultato della gestione, nonché della situazione dell'emittente, unitamente alla descrizione dei principali rischi e incertezze cui sono esposti.

Roma, 19 marzo 2021

L'Amministratore Delegato

(Arturo Nattino)

Il Dirigente preposto alla redazione dei documenti contabili societari

(Giulio Bastia)

2020 REPORT ON CORPORATE GOVERNANCE AND SHAREHOLDERS[1]

(Prepared in accordance with Article 123-bis of the Italian Consolidated Financial Law)

Approved by the Board of Directors on 19 March 2021

Traditional Administration and Control Model

GLOSSARY

Code/Corporate Governance Code: the Corporate Governance Code of listed companies approved in January 2020 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, ANIA, Assogestioni, Assonime and Confindustria.

Civil Code/C.C.: the Italian Civil Code.

Board: the Board of Directors of the Bank.

Issuer: Banca Finnat S.p.A.

Year: the 2020 financial year to which the Report refers.

Consob Issuers' Regulation: the Regulation issued by the Consob with its resolution no. 11971 of 1999 (as amended) for issuers.

Consob Markets Regulation: the Regulation issued by Consob with its resolution no. 20249 of 2017 for markets as subsequently amended.

Consob Related Parties Regulation: the Regulation issued by the Consob with its resolution no. 17221 of 12 March 2010 (as amended) for related party transactions.

Report: the Report on corporate governance and shareholder structure prepared pursuant art. 123-bis of the Italian Consolidated Financial Law.

TUF: Italian Legislative Decree no. 58 of 24 February 1998 (Consolidated Financial Law).

REPORT ON CORPORATE GOVERNANCE AND SHAREHOLDERS

The present Report provides a representation on the corporate governance system adopted by Banca Finnat Euramerica S.p.A. (hereinafter "Banca Finnat" or the "Bank") and it contains information about the shareholders and on adoption of the Codes of Conduct.

The Report is made available on the website of the Bank in the Investor Relations - Corporate Governance section.

The information contained in the Report refers to the year ended 31 December 2020 and, with regard to specific issues, it was updated at 19 March 2021, on which date the Board of Directors of the Bank approved it.

The Report takes account of the "2020 Annual report - 8th report on the application of the Governance Code" sent to all Chairmen of listed Italian companies, and copied to the Managing Director and the Chairman of the Board of Statutory Auditors, by the Corporate Governance Committee of Borsa Italiana.

1.0 ISSUER PROFILE

Banca Finnat, with more than a century of banking tradition, coupled with independence, dependability and confidentiality, administers and manages the assets of wealthy investors.

Listed on the STAR segment of Borsa Italiana, it is specialised in performing investment and advisory services for private and institutional customers.

Its high specialisation and professionalism distinguish it in the Italian banking landscape: directly and with other Group companies, it offers a broad range of services and financial products, from Private Banking to Consultancy services, from Trusteeship Activities to Family Office, from Real Estate and management of Real Estate Funds to Advisory & Corporate Finance and to Services for Institutional Investors.

To complete the investment services, which have a central role within the Bank's activities, traditional Banking Services are also performed.

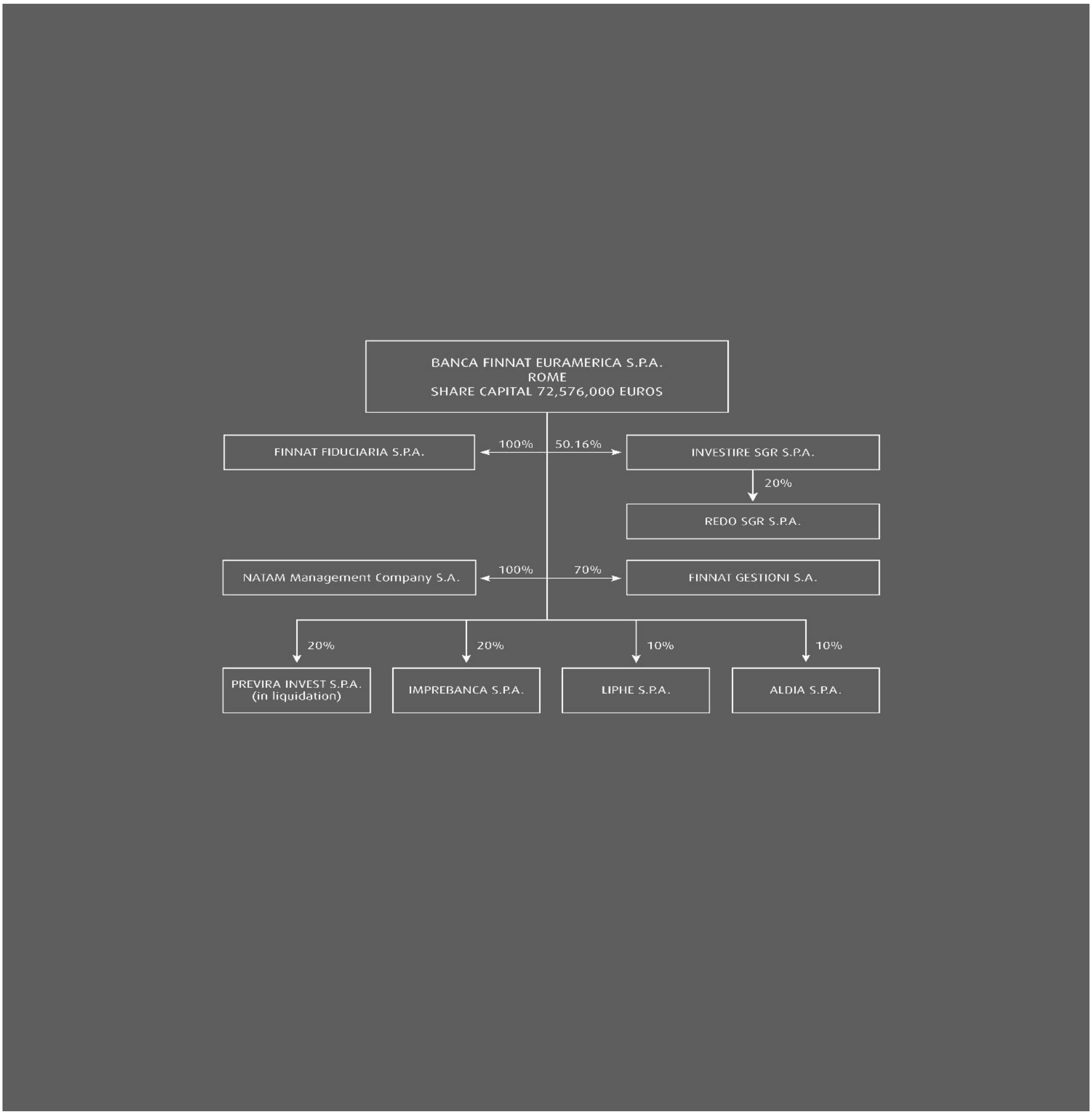
The Bank has adopted the traditional administration and control model, comprising two bodies appointed by the Shareholders' Meeting: the Board of Directors (with 11 Members), central body in the corporate governance system, exclusively in charge of managing and providing strategic supervision for the Bank and the Group, and the Board of Statutory Auditors with oversight functions over the administration and over compliance with the law and with the Articles of Association.

The Board of Directors, also in accordance with the recommendations of the Governance Code (hereinafter "the Code"), established three Committees internally (Risk, Appointments and Remuneration Committees), consisting of independent Directors and providing proposals, advice and preliminary studies for the Board itself.

The account auditing activity is entrusted to a specialised company (KPMG S.p.A.) enrolled in the dedicated Register, appointed by the Shareholders' Meeting for the nine years from 2020 to 2028, upon the justified proposal of the Board of Statutory Auditors.

The Supervisory Body under Legislative Decree no. 231/2001 is appointed by the Board of Directors.

Banca Finnat is the parent company of the Banca Finnat S.p.A. Group which at 31 December 2020 comprises the following.



Compared to 31 December 2019, the structure of the Group has changed following the sale to third parties by the subsidiary InvestiRE SGR S.p.A. of 2.56% of the equity investment held in REDO SGR S.p.A. and the subsequent capital increase in which InvestiRE SGR SpA did not participate. Following these transactions, the equity investment of InvestiRe in REDO went from 33.3% to 20%.

1.1 Code of Ethics

The Code of Ethics defines the values and the ethical principles that inspire the activity of Banca Finnat and of its subsidiaries, which must be complied with by the Corporate Bodies, the Senior Management, employees, consultants and contractors, suppliers, financial promoters, attorney and any other party who may act on behalf of the Bank and of its subsidiaries.

The Board of Directors of the Bank and of its Subsidiaries undertake to enforce the principles contained in the Code of Ethics, enhancing trust, cohesion and group spirit, and they are inspired by the values expressed therein, also in determining the business objectives.

All Code of Ethics recipients shall know it and comply with its provisions, actively contributing to its widespread adoption and enforcement, throughout the time in which they work for the Bank and for its subsidiaries. All recipients shall also safeguard, by their conduct, the respectability and image of Banca Finnat and of its subsidiaries and to preserve the solidity of the corporate assets.

The principles contained in the Code of Ethics also supplement the rules of behaviour that personnel shall follow, by virtue of current regulations, of employment agreements, of internal procedures, and of the Codes of conduct which the Group has adopted or promulgated internally.

The principles that Banca Finnat and its subsidiaries apply and the values they intend to pursue are: lawfulness, integrity, dignity and equality, quality, business ethics, professionalism and collaboration.

The Code of Ethics is available on the Bank's website, in the Investor Relation/Corporate Governance section.

1.2 Small and Medium Enterprises issuing listed shares (SME)

Based on the capitalisation and turnover data in the possession of Consob, pursuant to art. 2-ter of Consob Regulation no. 11971/1999, as amended by Consob Resolution no. 20621 of 10 October 2018, Banca Finnat was classified as a Small and Medium Enterprise (SME) and is included in the list published on Consob's website (http://www.consob.it/web/area-pubblica/emittenti-quotati-pmi).

2.0 INFORMATION ON SHAREHOLDERS at 31 December 2020

a) Share capital structure

The share capital of Banca Finnat at 31 December 2020 amounts to 72,576,000.00 euros, fully paid-up, consisting of 362,880,000 ordinary shares, all with a nominal value of 0.20 euros. Shares in Banca Finnat are listed in the STAR segment of Borsa Italiana.

At the date of the present Report, there are no ongoing programmes for the purchase and/or sale of treasury shares. At 31 December 2020, Banca Finnat held 28,810,640 treasury shares, equal to 7.94% of the share capital.

b) Restriction to the transfer of securities

In addition to the provisions of current legislation, there are no other restrictions to the transfer of Bank shares.

c) Major equity investments

The Bank's shares are placed in the central management system for uncertified securities with Monte Titoli S.p.A.

The main equity investments at 31 December 2020, as shown in the communications received pursuant to Article 120 of the Italian Consolidated Financial Law are indicated in Table 1.

d) Securities granting special rights

No securities have been issued granting special control rights.

e) Shares held by employees: mechanism for exercising voting rights

There are no share participation schemes for employees.

f) Restriction to voting rights

There are no restrictions to voting rights.

g) Shareholder agreements

The Directors are not aware of the existence of any significant shareholder agreement in accordance with Article 122 of the Italian Consolidated Financial Law.

h) Change of control clauses and provisions established by the Articles of Association on takeover bids

No significant agreements were executed that become effective, are amended, or are extinguished in case of change of control of the Bank.

The Articles of Association of Banca Finnat do not make exceptions to the passivity rules established by Article 104, paragraphs 1 and 2, of the Italian Consolidated Financial Law nor to the application of the neutralisation rules laid down by Article 104-bis, paragraphs 2 and 3, of the Italian Consolidated Financial Law.

i) Delegations to increase the share capital and authorisations to purchase treasury shares

No powers were delegated for capital increases, nor are Directors granted the power to issue investment financial instruments.

The Bank of Italy with measure no. 1039475/11 of 19 December 2011 authorised the Bank to purchase treasury shares accounting for more than 5% of the share capital, within the maximum limit of 10 million euros.

l) Management and coordination

The Bank is not subject to Management and Coordination pursuant to Article 2497 et seq. of the Italian Civil Code.

The information required by Article 123-bis, paragraph 1 letter i) and letter l) of the Italian Consolidated Financial Law is respectively explained in paragraph 4.1 (Board of Directors - appointment and replacement) and in paragraph 9.0 (Remuneration of Directors) of this Report.

3.0 COMPLIANCE

Banca Finnat adheres to the Corporate Governance Code of listed companies of Borsa Italiana in the current version applicable from January 2020.

The Code is accessible on the website of the Corporate Governance Committee and on that of the Bank in the Investor Relations/Corporate Governance section.[23]

An updated check of compliance with the Code was carried out on occasion of the Board of Directors' examination of the 2020 Annual Report - 8th report on the application of the Code.

The Corporate Governance structure of Banca Finnat and of its subsidiaries is not affected by provisions of any non-Italian law.

4.0 BOARD OF DIRECTORS

4.1 Appointment and replacement

In accordance with Article 12 of the Articles of Association, the Board of Directors consists of a minimum of five and a maximum of eleven members, who remain in office for three years and whose term of office expires at the date of the shareholders' meeting called for approval of the financial statements of their final year in office. The composition of the Board of Directors must comply with the gender balance regulations in force.

Should the majority of the directors elected by the Shareholders' Meeting cease their office due to standing down, death or other causes, the entire Board is considered as having stood down and any director remaining in office must call the Shareholders' Meeting urgently to reconstitute the Board.

The Board of Directors is appointed on the basis of lists presented by the Shareholders, in which candidates must be listed with a progressive number (Article 12-bis of the Articles of Association). The Bank's Articles of Association have defined the methods, time-scales and requirements for the presentation of lists.

Succession Plans

At present, the Bank has not adopted plans for the succession of executive directors.

4.2 Composition

The Board of Directors in office was appointed by the Shareholders' Meeting of 27 April 2018 and will remain in office until approval of the financial statements at 31 December 2020. All Directors were appointed from the only list of candidates presented by the relative majority shareholder, Arturo Nattino.

At 31 December 2020, the members of the Board of Directors were as follows:

1. Carlo Carlevaris, Honorary Chairman (non-independent, non-executive); time in office since first appointment: 17 years.
2. Flavia Mazzarella, Chairman (independent, non-executive); time in office since first appointment: 4 years.
3. Arturo Nattino, Managing Director and General Manager (non-independent, executive); time in office since first appointment: 11 years.
4. Leonardo Buonvino, Deputy Chairman (non-independent, executive); time in office since first appointment: 14 years.

[2] http://www.borsaitaliana.it
[3] htpp://www.bancafinnat.it

5. Marco Tofanelli, Deputy Chairman (independent, non-executive); time in office since first appointment: 7 years.[4]
6. Ermanno Boffa, Director (independent, non-executive); time in office since first appointment: 11 years.
7. Roberto Cusmai, Director (independent, non-executive); time in office since first appointment: 8 years.
8. Giulia Nattino, Director (non-independent, non-executive); time in office since first appointment: 7 years.
9. Maria Sole Nattino, Director (non-independent, non-executive); time in office since first appointment: 5 years.
10. Lupo Rattazzi, Director (non-independent, non-executive); time in office since first appointment: 12 years.
11. Andreina Scognamiglio, Director (independent, non-executive); time in office since first appointment: 5 years.

The CV with the personal and professional characteristics of the Directors is available on the Website of the Bank, www.bancafinnat.it in the section "*About Us - Directors and Officers*".

Diversity Policies

Art. 12-bis of the Articles of Association requires respect for the gender balance, in keeping at least with the minimum requirement set out in the currently applicable legislation and regulations.

The 2020 Budget Law provided for a different quota reserved for the less represented gender equal to "at least two fifths" and established that this distribution criterion applies for "six consecutive terms".

Said allocation criterion of "at least two fifths" applies "from the first renewal of the administrative and control bodies of companies listed on regulated markets following the date of entry into force of this law", which took place on 1 January 2020.

Therefore, the new legislation will be applied for Banca Finnat starting from the renewal of the corporate bodies that will take place in the next meeting season (April 2021).

Maximum accumulation of the offices held in other companies

The Board, based on the prior opinion of the Appointments Committee, in the course of its meeting of 22 March 2018 expressed its guidance with regard to the maximum limit to the accumulation of the offices held by the Directors, establishing the following:

1. an executive Director should not hold:
   i. the office of executive Director in another listed company, whether Italian or foreign, or in a financial[5], banking or insurance company or with shareholders' equity above 1 billion euros;
   ii. the office of non-executive Director or Auditor (or member of another audit body) in more than two of the aforesaid companies;
   iii. the office of non-executive Director of another issuer of which a Director of Banca Finnat Euramerica S.p.A. is an executive Director;
2. a non-executive Director, in addition to the office held in the Bank, should not hold:
   i. the office of executive Director in more than one of the aforesaid companies and the office of non-executive Director or of Auditor (or member of another audit body) in more than three of the aforesaid companies, or
   ii. the office of non-executive Director or Auditor (or member of another audit body) in more than five of the aforesaid companies;

[4] Not consecutive. Appointed for the first time on 15 December 2011 until resignation on 20 November 2015. Subsequently appointed on 27 April 2017.
[5] For cumulation purposes, financial institutions are considered to be the financial brokers per Article 106 of Italian Legislative Decree no. 385 of 1993 (Consolidated Law on Banking - TUB) and the enterprises that perform activities and services of investment or collective asset management in accordance with Italian Legislative Decree no. 58 of 1998 (Consolidated Financial Law - TUF).

iii. the office of executive Director of another issuer of which an executive Director of Banca Finnat Euramerica S.p.A. is a non-executive Director.

Offices held in companies of the Banca Finnat Euramerica S.p.A. Group are excluded from the accumulation limit.

As a result of the ministerial decree no. 169/2020 the Board, on the proposal of the Appointments Committee, in the meeting of 19 March 2021 approved the new "Guidelines on the optimal qualitative and quantitative composition of the Board of Directors", including the guidelines on the limits to the accumulation of offices as established from Ministerial Decree 169/2020.

The list of the offices held by the members of the Board of Directors of Banca Finnat at 31 December 2020 is as follows:[6]

ERMANNO BOFFA

InvestiRe SGR S.p.A. (Director), Willis S.p.A. (Permanent auditor).

LEONARDO BUONVINO

InvestiRE SGR S.p.A. (Director).

FLAVIA MAZZARELLA

Alerion Clean Power S.p.A. (Director).

ARTURO NATTINO

InvestiRe SGR S.p.A. (Chairman of the Board of Directors), Finnat Gestioni SA (Chairman of the Board of Directors), Finnat Fiduciaria S.p.A. (Director), REDO SGR S.p.A. (Director).

MARIA SOLE NATTINO

Finnat Fiduciaria S.p.A. (Director).

MARCO TOFANELLI

InvestiRe S.p.A. (Director), Armonia SGR (Director).

LUPO RATTAZZI

GL Investimenti s.r.l. (Director), Vianini S.p.A. (Director), Italian Hospital Group SpA (Director), Coeclerici SpA (Director), Neos SpA (Chairman of the Board of Directors).

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[6] Only the positions of director or statutory auditor held in other companies listed on regulated markets, including foreign, in financial, banking, insurance or large companies are reported.

Induction program

In 2020, the members of the Board of Directors and the Board of Statutory Auditors took part in the following induction sessions:

- Insights on ESG (25 June 2020);
- Personal transactions in financial instruments (11 November 2020).

4.3 Role of the Board of Directors

The Articles of Association grant the Board of Directors the broadest powers of Bank ordinary and extraordinary administration. More specifically, they grant the faculty to carry out all acts and deeds it may hold appropriate for the implementation and attainment of the corporate purpose, only excluding any act that the law reserves to the Shareholders' Meeting.

In 2020, 15 meetings of the Board of Directors were held; their average duration was 2.40 hours. During 2021, 4 meetings have already been held and a further 5 are scheduled.

The meetings are carried out with notice of at least 5 days, as per the Articles of Association, sent via e-mail or registered letter and the board meetings are conducted by dedicating the time necessary to the items on the agenda to allow a constructive debate and gather the contributions from the directors.

The Joint General Manager is invited to attend the Board meetings and, depending on the items on the agenda of day, the heads of the control functions and the key executives, also of subsidiaries, are invited to attend as well.

The Bank established an IT platform which Directors and Statutory Auditors can access using their credentials, in order to consult the documents relating to board meetings.

In addition to the powers exclusively attributed by Article 2381 of the Italian Civil Code, in 2020 the Board of Directors of the Bank, in particular:

i) assessed, on the basis of information acquired from the appointed bodies (Managing Director, General Manager, Joint General Manager, Manager in charge of preparing the accounting documents), and with the control functions, the suitability of the administrative and accounting organisation, with a special reference to the internal auditing and risk management system; it continuously verified the corporate structure and consequently the efficiency of the internal auditing system;
ii) examined the organisational, administrative and accounting structure of the subsidiaries;
iii) examined and approved the quarterly, half-yearly and annual and consolidated balance sheets and income statements of the Bank and its subsidiaries, and periodically monitored their implementation;
iv) assessed and approved the Bank's operations in advance and, in compliance with that specified by the Group Regulations, approved operations of significant strategic, economic, equity and financial importance involving its subsidiaries.

SELF-ASSESSMENT

In compliance with Bank of Italy's Circular no. 285 of 17 December 2013 to the Corporate Governance Code and the Internal Regulation on the self-assessment process of the corporate bodies approved by the Board of Directors on 26 October 2018, the Bank's Board of Directors - in view of the expiry of the mandate of the current Board - on 25 January 2021 analysed the results of the self-assessment relating to the year 2020.

The self-assessment process on the operation of the Board of Directors comprised the following steps:

- definition of a structured questionnaire in 5 sections and despatch to the members of the Board of Directors in office;
- collecting the filled-in questionnaires;
- processing of the results in aggregate form;
- identifying the indications that emerged;
- drafting of a report, submitted for prior examination by the Appointments Committee and the Board of Directors (25 January 2020).

The questionnaire was filled in by ten out of eleven Directors.

The results of the self-assessment can be summarised as follows:

1) the functioning of the Board was positively assessed;

2) the need to further improve the timing for sending the preparatory documentation to the Board meetings is highlighted;

3) with regard to the composition of the Board of Directors, it is suggested:

a) greater differentiation in terms of age;
b) a careful assessment of the regulations that will apply to the new Board for the purpose of identifying the members of the Board of Directors and the Board of Statutory Auditors;
c) to take into account the skills of the new Directors in the digital and sustainability fields;

4) the usefulness of the induction sessions emerges, which requires an understanding on issues related to internal procedures and accounting systems.

4.4 APPOINTED BODIES

The Bank has attributed all management powers to the Managing Director and General Manager, Mr. Arturo Nattino, who is the main manager of the Bank (Chief Executive Officer).

The Chairman has not received management powers. The Deputy Chairmen of the Board of Directors are responsible, in accordance with the Articles of Association, for replacing the Chairman in all his tasks and powers, taking his/her place in the event of his/her absence or impediment.

The Managing Director, without prejudice to the powers of the Board of Directors in accordance with the law and the Articles of Association, is granted all powers necessary for the Bank's administration, with the broadest powers in this respect. Within the scope of the tasks assigned, the Managing Director shall represent and sign on the Bank's behalf.

CHAIRMAN OF THE BOARD OF DIRECTORS

The Chairman holds the powers conferred by law and the Articles of Association, statutory representation of the Bank against third parties and in legal proceedings, and responsibility for the company signature. The Chairman's duties are to organise the work of the Board and to provide liaison between executive and non-executive Directors.

DISCLOSURE TO THE BOARD

The Managing Director reports to the Board of Directors, on a half-yearly basis, on the work carried out under the scope of his powers.

During Board meetings, the Chairman of the Board of Directors informs the Directors in a timely manner of all updates to first and second level regulations linked to the Bank and Group's activities.

4.5 OTHER EXECUTIVE DIRECTORS

In addition to the Managing Director/General Manager, the Deputy Chairman, Leonardo Buonvino, is an executive director.

4.6 INDEPENDENT DIRECTORS

The Board of Directors appointed by the Shareholders' Meeting of 27 April 2018 and in office until approval of the 2020 financial statements, was formed in accordance with the criteria specified in the Code and the regulations issued by the Bank of Italy and by Consob and is composed of 11 directors, 5 of whom independent.

There have been no changes compared to last year.

4.7 LEAD INDEPENDENT DIRECTOR

The Bank's Board of Directors - despite the conditions not being satisfied, but for the purpose of aligning itself with the best market practices - appointed the Lead Independent Director Mr. Marco Tofanelli.

5.0 PROCESSING OF COMPANY DATA

The Bank has an internal procedure for the management of communications to the public of relevant events and circumstances, with the objective of allowing the fulfilment of the disclosure obligations pursuant to art. 114 of Legislative Decree no. 58 of 24 February 1998 (Consolidated Financial Law, "TUF"). Communication obligations are met, on the Bank Managing Director's behalf and on his instruction, by the "Investor Relator".

Communications are made immediately available to the public in compliance with the law.

The *"Investor Relator"* publishes the press releases on the Bank's website in both Italian and English, by the time of opening of the market on the day after the date on which said news is disclosed.

The disclosure remains available on the website for at least five years as from the date of publication.

https://www.bancafinnat.it/it/pages/index/2/19/0/19/Info-regolamentate-Sito-Istituzionale.

In compliance with the provisions of Article 115-bis of Italian Legislative Decree no. 58/98, and of Regulation (EU) no. 596/2014 the Bank has set up the "Register of Persons with access to privileged information" (Insider Register). The Legal Department appointed to hold the "Insider Register".

The Bank has also adopted a specific internal procedure, the "Internal Dealing Code", which is binding for all Directors and Statutory Auditors and aims to govern the disclosure to be made to the market, in the event of company representatives trading in Bank shares https://www.bancafinnat.it/it/pages/index/2/19/0/19/Info-regolamentate-Sito-Istituzionale.

6.0 INTERNAL BOARD COMMITTEES

The Board has established internally the Appointments Committee, the Remuneration Committee and the Risk Committee, consisting exclusively of non-executive independent Directors. For the Risk Committee and the Remuneration Committee, at least one member has accounting, financial and risk management experience.

No other Committees have been established within the Board of Directors.

The functions of the Committees have been attributed as prescribed by the Code.

The functions of the Committees are not reserved to the Board.

7.0 APPOINTMENTS COMMITTEE

The Committee is composed of three non-executive directors, all independent: Andreina Scognamiglio (Chairman), Lupo Rattazzi and Marco Tofanelli (members).

The meetings of the Committee are attended by the Chairman of the Board of Statutory Auditors or by another Statutory Auditor designated by him/her.

The Appointments Committee provides advice and formulates proposals for the Board of Directors, which incorporate the formulation of opinions, proposals and recommendations, in order to identify professionals who can contribute to the optimal qualitative and quantitative composition of the Board of the Bank and of its subsidiaries and investees; it also expresses its opinion on the outcomes of the self-assessment of the Bank's Board.
It should be noted that on 6 August 2020 the Bank's Board of Directors approved the update of the Regulations of the Bank's Appointments Committee, necessary following the transfer of the powers of the Appointments Committee of InvestiRE SGR to the Committee established at the parent company and the simultaneous suppression of the first with an amendment that was deemed appropriate with a view to simplification and which is in line with the provisions of art. 37 paragraph 2 of Bank of Italy's Regulations (of 5 December 2019) implementing art. 4-undecies and 6, paragraph 1, lett. b) and c) bis of the Consolidated Financial Law. The new text of the Regulations therefore provides that the Appointments Committee of Banca Finnat will carry out the consultative, support and proposal functions already envisaged by art. 3 also on behalf of InvestiRE SGR at the request of the Board of Directors of the same, taking due account of the specificities of the SGR from an operational point of view and of the legislative, regulatory (in particular, the provisions of the Bank of Italy's Measure) and statutory provisions applicable to the same.
In 2020, the Committee met 4 times; meetings had an average duration of 52 minutes.

The Heads of the Functions involved in relation to the items on the Agenda were invited to attend.

During 2020, the Committee:
1. provided regular information to the Board of Directors through its Chairman, reporting in the first useful board meeting, about the activity carried out and the contents of the Committee meetings held in the time intervals between Board of Directors meetings;
2. expressed its opinion on the appointments in the subsidiaries and investees;
3. carried out in-depth investigations with regard to the independence requirements;
4. revised its own Regulation.

For the correct performance of its functions, the Committee had the opportunity to access all information and company functions necessary for the performance of its duties.

8.0 REMUNERATIONS COMMITTEE

The Committee is composed of three non-executive directors, all independent: Roberto Cusmai (Chairman), Ermanno Boffa and Andreina Scognamiglio (members).

The meetings of the Committee are attended by the Chairman of the Board of Statutory Auditors or by another Statutory Auditor designated by him/her.

The Remuneration Committee provides advice and submits proposals to the Board of Directors concerning the remuneration of corporate officers and heads of the corporate control functions and the determination of personnel remuneration criteria.
The duties of the Committee are set by resolution of the Board of Directors who established and they can be supplemented or changed by subsequent resolution of the Board of Directors on the proposal of the Committee.
It met 5 times in 2020, with an average duration of approximately 30 minutes per meeting; in the current year, 4 meetings were held.

No director concerned took part in the meetings of the Remuneration Committee during which proposals were made with regard to their remuneration.

The Heads of the Functions involved in relation to the items on the Agenda were invited to attend.

During 2020, the Committee:
- provided regular information to the Board of Directors through its Chairman, reporting in the first useful board meeting, about the activity carried out and the contents of the Committee meetings held in the time intervals between Board of Directors meetings;
- examined the general principles and the 2020 Incentive System of the Bank and the subsidiaries and expressed its favourable opinion;
- approved the report on its activities carried out in 2019;
- expressed a favourable opinion on the remuneration policies for Directors, employees and contractors not bound by an employment agreement;
- examined the Remuneration Report relating to the remuneration paid out in 2019, prepared pursuant to Article 123-ter of Italian Legislative Decree no. 58 of 24 February 1998 (Consolidated Financial Law) and of Article 84-quater of Consob Regulation no. 11971 ("RE"), as well as in compliance with the Prudential Supervisory Provisions of the Bank of Italy;
- identified the most significant personnel;
- expressed a favourable opinion on the proposal to pay an annual fee to the Deputy Chairman based on the powers conferred;
- ascertained that the conditions for the activation of the 2020 Incentive System of the Bank and of Group companies were met;
- expressed a favourable opinion to the granting of bonuses for "significant personnel";
- analysed and expresses its opinion to the Board regarding the letter of the Corporate Governance Committee concerning the matters of interest.

For the correct performance of its functions, the Committee had the opportunity to access all information and company functions necessary for the performance of its duties.

9.0 DIRECTORS' REMUNERATION

On 29 April 2020, the Shareholders' Meeting of Banca Finnat approved the policy for the remuneration of Directors, employees and contractors not employed directly by the Bank; for more details, please refer to the Remuneration Report drafted in accordance with art. 123-ter of the Consolidated Financial Law relating to 2020 that was published in accordance with the legal terms on the website www.bancafinnat.it in the section Corporate Governance.

10.0 RISK COMMITTEE

The Committee is composed of three non-executive directors, all independent: Marco Tofanelli (Chairman), Ermanno Boffa and Roberto Cusmai (members).

The entire Board of Statutory Auditors attends the Committee's meetings.

The Risk Committee, as prescribed in its own Regulation, performs the duties of the independent directors' Committee as provided by the "Regulation for Related Party Transactions and for the assumption of risk assets with regard to Related Parties" of Banca Finnat.

The Risk Committee has preparatory, advisory and proposal-making functions, incorporating the formulation of proposals, recommendations and opinions in relation to the internal auditing and risk management system, as well as the approval of periodic financial reports.
In 2020, the Committee met 12 times for an average duration of 1.20 minutes; 4 meetings were held in the current year.

The Heads of the Functions involved in relation to the items on the Agenda were invited to attend.

During 2020, the Committee:

- provided regular information to the Board of Directors through its Chairman, reporting in the first useful board meeting, about the activity carried out and the contents of the Committee meetings held in the time intervals between Board of Directors meetings;
- prepared and shared its annual Report to the Board on the activity carried out in 2019; it expressed its opinion on the adequacy and effectiveness of the internal auditing and risk management system;
- prepared and shared its half-year Report to the Board on the activity carried out from 1 January to 30 June 2020;
- received an outline of the report on the activity carried out in the second half of 2018 by the Supervisory Body;
- analysed and acknowledged the following documentation:
    - the quarterly summary reports (tableau de bord) of the internal control functions,
    - the ICAAP/ILAAP Preliminary Summary;
    - an update of the RAF - Risk Appetite Framework;
    - the ICAAP/ILAAP report relating to risk analysis;
    - the quarterly report on transactions with related parties;
    - the annual reports of the control functions;
    - the 2020 plan of activity of the control functions;
    - the annual report on complaints, drafted by the Compliance function;
    - the framework resolutions regarding transactions involving the trading of financial instruments with related parties and current account overdrafts with related parties;
    - the half-yearly report of the Compliance function on transactions in financial instruments carried out by company representatives;
    - annual Whistleblowing report;
    - the outcomes of the self-assessment of money laundering risks;
    - the report on the controls performed on important operating functions outsourced outside of the Group prepared by the Internal Audit function;
    - the report on investment services drafted by the Internal Audit function;
    - the impairment test - methodological note;
    - the preliminary results at 31 December 2019;
    - half-yearly financial report as at 30 June 2020;
    - the update of the Recovery Plan;
    - the IFRS9 and Pillar III validation document;

- the disclosure provided by the Manager in charge of preparing the accounting documents;
- measures implemented to facilitate the containment of the risk of spreading COVID-19;

- analysed and expressed its favourable opinion regarding:
  - related party transactions;
  - the Corporate Governance report at 31 December 2019;
  - the methodology adopted for identifying the market conditions to be applied in transactions with associated parties.

11.0 INTERNAL AUDITING AND RISK MANAGEMENT SYSTEM

The Bank, in line with current regulations and consistently with the indications of the Code, has adopted an Internal Auditing and Risk Management System capable of continuously monitoring the typical risks of the company's activity.

Thus, the Internal Auditing and Risk Management System is the comprehensive set of organisational controls, procedures and rules of conduct directed at enabling, through an adequate process of identification, measurement, management and monitoring of the main risks, a sound and proper management of the company, consistent with pre-set objectives. This system is an integral part of operations and it involves all sectors and corporate structure, each called, for matters under its competence, to assure constant, continuous monitoring of the risks.

The Internal Auditing and Risk Management System meets the need to assure sound and prudent management of the activities of the Bank and of the group, reconciling, at the same time, the attainment of the company objectives, the correct and punctual monitoring of risks and operations guided by correctness criteria; this system also meets the prescription of Article 6 of the Code.

The Internal Auditing and Risk Management System of Banca Finnat, defined by the Board of Directors and subject to periodic monitoring, consists of:

a) *line audits*: audits - of a systematic or periodic nature on a sample of data - carried out by the heads of the individual operating units, directed at assuring the correct performance of the transactions carried out by the same productive structures or included in the procedures or carried out within the scope of back office activities;
b) *risk management audits*: audits carried out by the heads of the individual operating units and by the Risk Management Organisational Unit, connected with the process of definition of risk measurement methods, pertaining to the verification of compliance with the limits assigned to the various operating units and the check of consistency of the operations of the individual productive areas compared to the risk/return targets assigned for the individual types of risks (credit, market, operational);
c) *compliance audits*: audits carried out by the Compliance Organisational Unit on the operations' compliance with the law, with the instructions of the supervisory Authorities and with the Bank's own regulations;
d) *anti-money laundering audits*: audits carried out by the Anti-Money Laundering Organisational Unit on the operations' compliance with the law and with the instructions of the Supervisory Authorities to combat money laundering and the financing of terrorism, and with the Bank's consequent regulations;
e) *internal audit activity*: activity carried out by the Internal Auditing Function to check the regularity of the Bank's operations and risk trends, to assess the functionality of the comprehensive internal auditing system and to identify any anomalies and violations of procedures and regulations.

On 25 June 2020, the Board of Directors approved the sixth version of the RAF - Risk Appetite Framework, represented by the Policies, by the Processes, by the limits and control systems implemented by the Group to define and monitor the risk level the Bank intends to assume.

On 19 March 2019, the Board of Directors approved an update to the policy for internal systems for the reporting of violations (whistleblowing), with the objective of reinforcing the protection of workers who report offences or irregularities that have occurred in relation to a public or private employment relationship.
In particular, the policy was supplemented in order to:

- introduce the use of the alternative reporting channel, in addition to the electronic one, suited to guaranteeing the confidentiality of the whistleblower;
- reinforce the protection of the whistleblower against acts of reprisal or discrimination (such as dismissal) for reasons related directly or indirectly to the report;
- apply disciplinary measures against those who engage, through wilful misconduct or gross negligence, in groundless reports, for the purpose of damaging or prejudicing the whistleblower;
- clarify the corporate autonomy of the subsidiaries regarding the establishment and maintenance of an adequate and functioning whistleblowing system, in respect of the management and coordination guidelines defined by Banca Finnat;
- update new examples of areas subject to "whistleblowing";
- ensure compliance with the new regulatory framework regarding privacy.

The reports pertain to any behaviour constituting a violation of the rules governing the banking activity and investment services (Consolidated Law on Banking and Consolidated Financial Law).

On 19 March 2020, the Compliance Function submitted the report to the Board of Directors on the internal Whistleblowing systems for 2019, pointing out that it had not received any reports through the aforementioned system. The report was made available to the Bank's personnel through its publication on the corporate Intranet by the Function itself.

The report ends with the 2020 work plan.

The Bank's Internal Auditing and Risk Management System also extends to the subsidiaries.

The Bank defined in a dedicated Policy the guidelines and the fundamental values on which its Internal Auditing System is based.

The keystone principles are:

- the corporate activity must comply with the applicable internal and external rules and it must be traceable and documentable;
- the assignment and the exercise of the powers within a decision-making process must be coupled with the positions of responsibilities and with the significance and/or the critical nature of the underlying economic transactions;
- there must be no subjective identity between those who make or implement the decisions, those who must provide accounting evidence of the transactions that were decided and those who must audit them as prescribed by law and by internal procedures;
- the confidentiality and compliance with regulations protecting privacy must be assured.

Responsibility for the Internal Auditing System rests, in accordance with current regulations, with the Board of Directors, which shall: (i) set its guidelines, strategic directions and risk management policies, (ii) approve the organisational structure of the Bank, ensuring that duties and responsibilities are clearly and appropriately assigned and periodically verify their adequacy and actual operation, ensuring that the main corporate risks are identified and managed properly: (iii) ensure that the control functions have an appropriate level of independence within the structure and are provided with adequate resources for correct operation.

Moreover, the Board of Directors with the support of the Risk Committee within the Board, periodically assesses the functionality, effectiveness and efficiency of the Internal Auditing System, promptly adopting any corrective measures as deficiencies and/or anomalies emerge in the performance of the audits.

To implement the recommendations of the Code on the matter of internal controls, the Board:

a) defined the guidelines of the Internal Auditing and Risk Management System, so that the main risks of the Bank and of its subsidiaries are correctly identified and adequately measured, managed and monitored, further determining, by approving the Risk Appetite Framework, the degree of compatibility of such risks with a management of the Bank that is consistent with the identified strategic objectives, both in an annual and multi-annual perspective;

b) periodically assesses the adequacy of the Internal Auditing and Risk Management System with respect to the Bank's characteristics and to the assumed risk profile, as well as its effectiveness; this assessment takes place mainly through: (i) the review, carried out with the support of the Risk Committee and with quarterly periodicity, of the results of the *tableau de bord* prepared by the heads of the control functions and with annual periodicity, of the results of the annual Reports, also prepared by the heads of the control functions (ii) approval of the work plans prepared by the Heads of the corporate control functions.

Moreover, the Bank exercises management and coordination activities with respect to group companies through:

a) strategic control over the evolution of the different areas of activity in which the group operates and of the risks bearing on the property portfolio. This is control both on the expansion of the activities carried out by the Group companies and on the policies for acquisition and disposal by group companies; strategic coordination is carried out mainly through the presence, in the Boards of Directors of each subsidiary, of some exponents designated by the Board;
b) management control directed at assuring that the conditions of economic, financial and capital balance of both the group's individual companies and the group as a whole are maintained. These control needs are met through the preparation of plans, schedules and budgets (company and group), and through the analysis of periodic statements, interim reports, yearly financial statements, at the individual company and consolidated level with reference to the entire group. Management coordination is provided through the intervention of the Planning and Management Control Organisational Unit that manages relations with the bodies/functions of the subsidiaries;
d) technical-operational control directed at assessing the various risk profiles provided to the group by the individual subsidiaries.

The Managing Director oversees the implementation of the strategies, of the RAF and of the risk governance policies defined by the Board of Directors; in particular:

a) it promotes the development and widespread adoption, at all levels, of an integrated risk culture in relation to the different types of risks and extended to the entire Bank;
b) it oversees the implementation of the strategies, of the Risk Appetite Framework - "RAF" (risk objective system) and of the risk governance policies defined by the Board of Directors;
c) it defines and oversees the implementation of the risk management process, assuring its consistency with the risk appetite framework and the risk governance policies and sets operational limits to the assumption of the various types of risk, consistent with the risk appetite framework;
d) it establishes the responsibilities of the corporate structures and functions involved in the risk management process, in order to prevent potential conflicts of interest; it also assures that the relevant activities are directed by qualified personnel, with an adequate level of independence and with adequate experience and knowledge for the duties they must perform;
e) it defines the internal information flows directed at ensuring that the corporate Bodies and the corporate control Functions are fully aware and capable of governing the risk factors and of verifying compliance with the RAF;
f) it implements the initiatives and actions necessary to continuously assure the completeness, adequacy, functionality and reliability of the internal auditing system and informs the Board of Directors of the results of the checks carried out;
g) it assures a correct, timely and secure management of the information for accounting, managerial and reporting purposes.

<u>Internal auditing system in relation to the financial disclosure process</u>

The Internal Auditing System in relation to the financial disclosure process is considered an integral part of the risk management system.

The purpose of the System is to assure the reliability, accuracy, trustworthiness and timeliness of the financial disclosure published periodically by the Bank, where these terms mean:

Reliability: disclosure having the characteristics of correctness and compliance with generally accepted accounting principles and having the requirements prescribed by the applied laws and regulations;

Accuracy: disclosure having the characteristics of neutrality and precision. The disclosure is considered neutral if it lacks preconceived distortions aimed at influencing its users' decision-making process in order to obtain a predetermined result;

Trustworthiness: disclosure having the characteristics of clarity and completeness, such as to lead to informed investment decisions by investors. The disclosure is deemed clear if it facilitates the understanding of complex aspects of the company, but without becoming excessive and redundant;

Timeliness: disclosure complying with the prescribed deadlines for its publication.

With reference to the measures adopted by the Bank to assure the characteristics of reliability, accuracy, trustworthiness and timeliness of the financial disclosure, reference is made to the activities carried out with respect to the definition of the Governance and Control Model of the Manager in charge of preparing the accounting documents, prepared in accordance with Article 154-bis of the Italian Consolidated Financial Law, which constitute a necessary prerequisite to assure a constant and complete view of the corporate areas that are actually relevant for the purposes of the preparation of the statutory and consolidated corporate accounting documents.

The definition of the Governance and Control Model of the Manager in charge of preparing the accounting documents of the Banca Finnat Group was guided:

- by the preliminary identification of a recognised, widely employed comparison model;
- by comparison with reference practice defined or referenced by institutional bodies;
- by comparison with domestic and international best practices adopted by businesses comparable with the Banca Finnat Group.

The model used as a reference by the Bank, which constitutes an internationally recognised method for analysing and evaluating the Internal Auditing System is the one established by the CoSO Report - "Internal Control Integrated Framework" - developed by the "Committee of Sponsoring Organisation of the Treadway Commission".

Within the scope of the activities carried out, the roles and responsibilities were punctually identified of the corporate Functions involved in the existing risk control and management system in relation to the financial disclosure process of the Bank and of the Group.

The correct operation of the existing risk control and management system in relation to the financial disclosure process is a prerequisite and it cannot be independent from the punctual identification of the roles and responsibilities of the involved corporate functions.

In this regard, the Bank formalised its internal information flows and adopted a synoptic picture of the relationships between the Manager in charge of preparing the accounting documents and the other corporate functions.

The Bank adopted, in compliance with the provisions of Article 154-bis of the Italian Consolidated Financial Law the office of the Manager in charge of preparing the accounting documents, who performs the following duties:

a) verification of the adequacy and actual application of administrative and accounting procedures for the preparation of the statutory and consolidated financial statements and of the abbreviated half-yearly financial statements;
b) verification that the documents are prepared in accordance with the applicable international accounting standards;
c) verification that documents match the accounting books and entries;
d) verification of the documents' ability to give a true and fair representation of the economic, financial and equity situation of the Bank and of the set of companies included in the consolidation;

e) verification, for the statutory and consolidated financial statements, that the report on operations includes a reliable analysis of the management performance and results, as well as the situation of the Bank and the group of companies included in the consolidation, along with a discussion of the primary risks and uncertainties to which they are exposed.

To exercise the activities and to implement the necessary controls, the Manager in charge of preparing the accounting documents employs the control functions and the other Organisational Units of the Bank and of the Group and in particular:

a. of the Internal Auditing function, which provides the elements and information in relation to the critical areas observed within the Group in the course of its activity, providing its own opinions on the adequacy of the different entities of the Group and the necessary improvement actions;
b. of the Organisation Service, which provides the necessary support for the formalisation of the processes, risks and sensitive controls;
c. of the Group companies that provide the necessary data and information and report any anomalies or problems of procedures noted within the scope of their activity, which may cause significant impacts on the financial situation of the Bank or of the Group.

During the 2020 financial year, the Board of Directors approved the work Plan prepared by the Internal Audit Function with the input of the Board of Statutory Auditors and assessed the Internal Auditing and Risk Management System of the Bank, considering it appropriate to the features of the business carried on by the Bank.

The following is a brief description of the main auditing devices adopted by the Bank.

THE COMPLIANCE FUNCTION

The Function, which reports to the Board of Directors of the Bank, oversees, in accordance with the most recent regulations of the Bank of Italy, according to a risk-based approach, the management of compliance risk with regard to business activities, verifying inter alia that the internal procedures are adequate to prevent this risk.

The head of the Function, appointed by the Board of Directors, is Mr. Pierluigi Angelini.

In general terms, compliance concerns the regulatory areas in respect of which forms of specialised supervision are not already provided for within the Bank.

The Compliance function is responsible for the management of compliance risk for the most relevant regulations, such as those pertaining to the exercise of banking and intermediation activities, management of conflicts of interest, transparency with regards to customers and, more generally, regulations established to protect the consumer, verifying that internal procedures are adequate for the prevention of said risk.

For the other regulations for which specialised supervision already exists, it is responsible, together with the specialist functions in charge of defining the methodologies for the assessment of the compliance risk and the related procedures.

In addition, it performs for Finnat Fiduciaria, under outsourcing arrangements, the activities prescribed for the Compliance function, when applicable; the activity is regulated by a dedicated agreement; concurrently, it ensures guidance, coordination and control of the activities performed by the Compliance function of the investee InvestiRE SGR, of Finnat Gestioni SA and of Natam Management Company.

The function shall carry out the following tasks:

- it assists the Risk Manager in the definition of the methodology relating to compliance risks and assesses and controls the reputation risk according to the procedures established by him;

it identifies the procedures appropriate to ensure an adequate supervision of non-compliance risks identified in accordance with the methodology per letter a);

it continuously identifies the applicable regulations, measure and assess their impact on processes and on corporate procedures and propose the organisational and regulatory measures necessary to comply with reference regulations;

it assesses the suitability and efficiency of the measures taken to remedy any deficiency in complying with obligations laid down by the relevant legislation;

it informs the competent organisational units about obligations contained in the reference regulations, in case of procedural or contractual changes;

it assesses in advance compliance with the applicable regulations of all innovative projects, including operations in new products or services or the entry in new markets, which the Bank intends to undertake, having regard inter alia to the prevention and management of conflicts of interest both between the different activities performed by the Bank, and with reference to the employees and to corporate officers;

it provides consultancy and support services with regard to corporate bodies and structures in areas in which compliance risk is significant, and it collaborates in the staff training activity on the provisions applicable to the activities carried out;

it carries out, also with the collaboration of specialist functions, specific tests as well as regular controls on business procedures to evaluate their effectiveness and adequacy in relation to the objective of preventing compliance risk;

it continuously verifies compliance with the contractual limits prescribed for the individual asset management lines, and it prepares information reports for the involved corporate functions;

it assists the Operations Department and the Risk Control Organisational Unit both in the analysis of the ICT risk of the Bank and in the preparation of the period information to the Managing Director on the analyses and assessments carried out;

it verifies the analysis of conformity and of the outsourcing agreements and with suppliers;

it provides corporate bodies with adequate information flows on the results of the activities carried out, the initiatives implemented on identified problems and the corrective actions to be taken, also with reference to the Group companies and to the other investees;

it coordinates and exchanges information flows, with the other corporate control functions and towards the Supervisory Body for matters under its competence;

it verifies the consistency of remuneration and company incentive policies and practices;

it verifies the compliance of the audit procedures of ICAAP/ILAAP with the external and internal regulations;

it monitors trading carried out on behalf of third parties and on its own behalf on financial instruments, for the purpose of complying with regulations on Market Abuse;

it manages the internal violation reporting system (whistleblowing): it receives any reports, it verifies their truthfulness and it notifies the competent corporate bodies for the consequent and appropriate assessments;

it manages the customer complaints log.

For the purposes of the guidance, coordination and control activity as parent company, the Bank's Compliance function, with respect to the investees, can:

ask for clarifications in relation to matters under its competence;

directly verify compliance with the obligations of the investee according to the procedures. In this case, the checks are carried out with the aid of the corresponding Function of the investee. The results of the checks are communicated to the administration and control bodies of the Parent Company.

INTERNAL AUDITING

Internal Audit activities are entrusted to the Internal Auditing Organisational Unit that directly reports to the Board of Directors of the Bank.

The head of the Function, appointed by the Board of Directors, is Maria De Simone.

The Function is provided with the required autonomy and independence from the operating structures and has adequate resources and means to carry out its task, works with personnel with appropriate knowledge and professional skills and has no access restrictions to company data and files.

Internal Auditing is responsible for ensuring a constant and independent supervisory action on the regular course of the operations and processes of the Bank in order to prevent or report the occurrence of anomalous and risky behaviours or situations, evaluating the effectiveness of the overall internal auditing system and its suitability to ensure the effectiveness and efficiency of corporate processes, safeguard the value of assets and protect against losses, ensure the reliability and integrity of financial and management information, the compliance of the operations both with the policies established by the company governance bodies and by internal and external laws and regulations. It also provides consultancy services to the corporate functions also by taking part in projects, in order to improve the effectiveness of control processes.

The tasks and activities of the Function, in addition to being defined in the company Function Diagram, are defined in the special Regulations issued by the Board of Directors of the Bank.

In carrying out its tasks, the Internal Auditing takes into account the risks involved in different areas in view of the strategic objectives and of information obtained from the results of the audits and of the consequent priorities, it prepares an Action plan - on the basis of which it will operate - which is screened by the Risk Committee, and subsequently approved by the Board of Directors.

The Internal Audit Function carries out the aforesaid activity for Banca Finnat as well as for the subsidiary Finnat Fiduciaria S.p.A. on the basis of a dedicated outsourcing agreement that regulates the services rendered. It also performs coordination activities on the subsidiary InvestiRE SGR S.p.A. and it carries out control activities on the investees Finnat Gestioni SA and Natam Management Company.

The weaknesses found during the audits are systematically reported to the Organisational Units involved for a prompt action of improvement in respect of which a follow-up is carried out subsequently.

The Internal Audit Function was assigned the task of overseeing the regular performance of operations of the Bank and the evolution of risks and to assess the completeness, adequacy, functionality and reliability of the components of the Internal Auditing System, suggesting possible improvements to the Risk Appetite Framework ("RAF"), to the risk management process and to the instruments for measuring and controlling risks, formulating, on the basis of the results of the audits, recommendations to corporate bodies.

The function shall carry out the following tasks:

a) checks, also with on-site inspections, the regularity of the different corporate activities and compliance, in the different operating sectors, with the limits prescribed by the authorising mechanisms, as well as full and correct use of the available information in the different activities;
b) assesses the completeness, adequacy, functionality and reliability of the other components of the internal auditing system including second level control corporate functions, of the risk management process and of the other corporate processes;
c) verifies the effectiveness of the RAF definition and updating process, the internal consistency with the overall set-up and the conformity of corporate operations with the RAF;
d) verifies, within the ICAAP/ILAAP, the completeness, correctness and adequacy of the internal process for determining the capital adequacy and the adequacy of the liquidity risk governance and management system, the effective application of the regulatory framework, the compliance of contents of the report, the self-

assessment process, the improvement interventions identified and the follow up on previously planned interventions;

e) verifies the adequacy, overall reliability and security of the information system (ICT audit) and regularly controls the company's business continuity plan;

f) verifies the adequacy and correct operation of the corporate processes, including outsourced ones, and of the methods for assessing corporate activities with particular regard to financial instruments;

g) carries out controls on important operating or outsourced control functions;

h) performs periodic tests on the functioning of the operating and internal control procedures;

i) verifies the removal of anomalies identified in the operations and functioning of the controls;

j) monitors the respect for the internal policies and regulations;

k) carries assessment tasks also with regard to specific irregularities, where required by the Board of Directors, by the Managing Director and the General Manager and by the Board of Statutory Auditors;

l) directly communicates the results of the assessments and the evaluations carried out by the corporate bodies and, in the event of assessments concluded with negative judgements or that highlight significant shortcomings, transmits the outcomes to said bodies fully, promptly and directly;

m) ensures the corporate bodies have adequate information flows on the results of the activities carried out, the initiatives implemented on identified problems and the corrective actions to be taken, also with reference to Finnat Fiduciaria and the other investees;

n) coordinates and exchanges information flows, with the other corporate control functions and with the auditing firm, and ensures information flows towards the Supervisory Body for matters under its competence;

o) engages in relations with the Supervisory Bodies for the activities within its competence.

The Function reports every quarter to the corporate bodies on the results of the activities carried out and it prepares and submits to the aforesaid bodies the report on the set of activities it carried out during the year also with respect to outsourcers for the important operating functions outsourced. It also submits the Plan for the three-year activities that is approved by the Board of Directors, with the input of the Risk Committee.
During the year, the head of the Function prepared the three-year plan of activities, presented to the Board of Directors at the meeting on 19 March 2020. The plan is composed of a fixed part, i.e. audits that are repeated each year given required by the reference legislation and therefore targeted at verifying the compliance of the same, and by a variable part that includes specific audits and controls that aim to ascertain respect for the internal regulations, by the Bank's departments (organisational units), in providing banking and investment services.

The Audit Plan is structured according to a risk based approach, with the goal of intervening on the main corporate risks and of covering the relevant corporate scope within a reasonable time interval.

The Function, in accordance with the plan, has planned and carried out direct and specific control activities on the Bank's departments in order to ascertain the adequacy of the internal auditing and risk management system, the effectiveness of the first level controls and the monitoring of risks by the second level control functions.

At the end of each audit, the Head of the Function draws up a report, which describes in detail the activities carried out, their results and the suggestions made to remove any anomaly reported or to improve the audit system within the analysed processes. The records of the audits are delivered to the Senior Management, to the Heads of the Organisational Units involved in the audit process and, if of interest, to the other corporate control functions.

The Head of Internal Auditing also prepares a quarterly summary report (tableau de bord) on the audits carried out in the reference quarter and annually, the summary report on the activities performed during the year, as well as the report on the audits carried out with respect to the important outsourced operating functions which it submits to the Board of Directors, after it is analysed by the Risk Committee and by the Board of Statutory Auditors.

If particularly important situations occur, the Head of the Function informs immediately the competent Company Bodies and Functions.

In 2020, the areas of intervention concerned, among other things:

a. anti-money laundering and anti-terrorism;
b. the ICAAP - ILAAP process and the RAF;
c. the important operating functions outsourced;
d. the security and reliability of the IT systems;
e. the exposure to related parties;
f. the set of the activities of the headquarters and branches both with reference to banking services and to the investment services rendered;
g. the effectiveness of some processes, identified in the plan, and the observance of internal regulations;
h. the regular and correct performance of activities regarding specific organisational units forming the object of the plan for the year.

In addition to the aforesaid activities, Internal Auditing carried out audit activities with respect to the subsidiaries Finnat Fiduciaria S.p.A., Finnat Gestioni SA and Natam Management Company and it carried out guidance and coordination activities with respect to the subsidiary InvestiRE SGR.

The Internal Audit Function, in carrying out the activities within its competence, had access to the necessary information to perform the engagement assigned to it.

THE RISK CONTROL FUNCTION

The Risk Control Organisational Unit, which reports to the Board of Directors of the Bank, is an important safeguard for the management of the risks connected with the different corporate activities.

The head of the Function, appointed by the Board of Directors, is Mr. Antonio Mancaniello.

The Function is provided with the required autonomy and independence from the operating structures and has adequate resources and means to carry out its task, works with personnel with appropriate knowledge and professional skills and has no access restrictions to company data and files.

The Function collaborates in the definition and implementation of the Risk Appetite Framework (RAF) and of the related risk governance policies and in the definition, preparation and revision of the ICAAP/ILAAP Statement and of the Recovery Plan framework.

The Function's activities include:

a) assisting the corporate bodies and the senior management in defining the RAF, risk controlling policies and the different phases that form their management process as well as fixing the operating limits to the assumption of various types of risk;
b) formulating proposals for the updating of the Restructuring Plan with reference to: recovery indicators and the associated calibration thresholds, recovery scenarios, definition of metrics, both quantitative and qualitative;
c) proposing the quantity and quality parameters required for defining the RAF, which also refer to stress scenarios and, in case of amendments to the internal and external operating contexts, the adjustment to such parameters;
d) verifying the adequacy of the RAF and, continuously, the adequacy of the management process of risks and operating limits;
e) drawing up on a regular basis the map of risks and prepare the ICAAP/ILAAP Report in line with the RAF and the Restructuring Plan;
f) developing, validating and maintaining the risk measurement and control systems ensuring their compliance with the requirements of the specific legislation;
g) defining common metrics for assessing the operating risks in compliance with the RAF, coordinating with the Compliance Function and with the Operation Management in the IT area and defining methods of assessment and control of reputational risks, coordinating with the Compliance Function and the most exposed corporate Functions;

h) analysing the Bank's ICT risk, in concert with the Operations Department and the Compliance OU, and verifying the disclosure provided in this area by the IT outsourcer. Consequently, providing an adequate periodic flow of information about the analyses and assessments made to the Managing Director;
i) assisting the corporate bodies in the assessment of the strategic risk by monitoring the significant variables;
j) analysing the risks of new products and services and those deriving from the entry in new operating and market segments;
k) providing preventive opinions on the consistency of major transactions with the RAF;
l) monitoring the actual risk assumed by the Bank and its compliance with the risk objectives as well as the compliance with the operating limits assigned to the operating structures in relation to the assumption of various types of risk;
m) ensuring monitoring regarding loans, as detailed and defined in the Bank's Credit Regulation;
n) supporting the Credits Committee in the evaluation of anomalous loans, providing its own recommendations on the matter;
o) verifying the adequacy and effectiveness of the measures taken to remedy the deficiencies identified in the risk management process;
p) ensuring the corporate bodies with adequate information flows on the results of the activities carried out, the initiatives implemented on identified problems and the corrective actions to be taken also with reference to the Trust Company of the group and the other investees; coordinating and exchanging information flows with the other corporate control functions and providing information flows to the auditing firm;
q) carrying out guidance, coordination and control on the activities performed by the risk management function of the investees, also by implementing the necessary information flows for the purposes of evaluation and monitoring of group risks.

THE ANTI-MONEY LAUNDERING FUNCTION

The Function, reporting to the Bank's Board of Directors, is responsible for preventing and combating money laundering and financing of terrorism.

The head of the Function, appointed by the Board of Directors, is Mr. Mauro Ceccarelli.

The Function has the required autonomy and independence and has adequate resources and means to carry out its task, works with personnel with appropriate knowledge and professional skills and has access to all the activities of the Bank and to any relevant information for the performance of its duties.

The Function is responsible for the performance of the activities prescribed by the current anti-money laundering regulations both for the Bank and, through outsourcing arrangements, for Finnat Fiduciaria S.p.A., as well as to ensure guidance, coordination and control of the activities of the anti-money laundering functions of the subsidiaries, according to the profiles dictated by the Group Regulation.

The head of the Function was appointed as the Manager in charge of reporting on suspicious transactions, pursuant to art. 36 of the Legislative Decree 231/2007.

The Function's activities include:

a) identifying applicable laws and regulations and measure their impact on processes and internal procedures and collaborate in the definition of the internal auditing system and procedures to prevent and counter money laundering risks;
b) continuously verifying the adequacy of the money laundering risk management process and the suitability of the internal controls and the procedures and proposing the organisational and procedural modifications aimed at ensuring adequate monitoring of money laundering risks, collaborating in the definition of the money

laundering risk governance policies and the various phases into which the management process of said risk is structured;

c) verifying the reliability of the information system for the fulfilment of customer due diligence obligations, storage of data and the inputting of data to the Single Computerised Database, reporting of suspicious transactions;

d) carrying out, in agreement with the manager in charge of the reporting on suspicious transactions, checks on the functionality of the reporting process and on the consistency of the evaluations performed by the first level on customer transactions;

e) sending the aggregate data on a monthly basis to the FIU concerning the overall operations of the Bank and the objective communications regarding transactions at risk of money laundering;

f) providing consultancy and support services to the corporate bodies and to the senior management, in particular, if new products, services and activities are offered by carrying out preventively the relevant assessments;

g) carrying out, in agreement with the other company functions concerned, the annual self-assessment of the risks of money laundering to which the Bank is exposed;

h) handling, in agreement with the other competent company functions regarding training, the preparation of an adequate training plan, targeted at updating personnel on an ongoing basis;

i) ensuring corporate bodies appropriate information flows on the results of the activities carried out, the actions taken on identified problems and on the corrective actions to be taken and report on the staff training activity also with reference to Finnat Fiduciaria of the Group' and the other investees;

j) coordinating and exchanging information flows with the other corporate control functions;

k) carrying out guidance, coordination and control on the activities performed by the anti-money laundering function of the investees, also by implementing the necessary information flows for the purposes of evaluation and monitoring of group risks.

11.1 DIRECTOR IN CHARGE OF THE INTERNAL AUDITING AND RISK MANAGEMENT SYSTEM

The Director in charge of the Internal Auditing System is the Managing Director, who:

a) manages the identification of the main corporate risks, taking into account the activities carried out by the Bank;

b) causes the execution of the guidelines defined by the Board, handling the design, implementation and management of the internal auditing and risk management system and constantly verifying its adequacy and effectiveness;

c) handles the adaptation of this system to the dynamics of the operating conditions and of the legal and regulatory landscape;

d) may ask the Internal Audit Function to carry out audits on specific operating areas and on compliance with rules and internal procedures in the execution of corporate operations, concurrently informing the Chairman of the Board of Directors, the Chairman of the Risk Committee and the Chairman of the Board of Statutory Auditors and promptly reports to the Board of Directors about problems and critical issues emerged in the performance of his/her activity or of which (s)he was otherwise informed, so the Board can take the appropriate initiatives.

11.2 ORGANISATIONAL MODEL PURSUANT TO ITALIAN LEGISLATIVE DECREE NO. 231/2001

In 2004, the Bank adopted an Organisation, management and auditing model in accordance with Italian Legislative Decree no. 231/2001 (hereafter, "the Model").

On 27 April 2018 the Board appointed the members of the Body: Alberto De Nigro (Chairman), Barbara Fasoli Braccini and Alessandro de' Micheli (members).

The latest version of the Model was approved on 23 January 2019 by the Board of Directors.

The Model consists of a 'general part', summarising the main contents of Italian Legislative Decree no. 231/2001, and a 'special part', which identifies the various activities of the Bank presenting a potential risk of committing the different types of crimes considered in the decree, the structures and/or functions of the Bank where these crimes can easily be committed, and the procedures and/or internal rules aimed at preventing them from being committed.

11.3 AUDITING FIRM

Auditing of the accounts is entrusted, in accordance with the law, to an auditing firm enrolled in the special Consob register, engaged by the Shareholders' Meeting.

The Shareholders' Meeting of the Bank of 1 August 2019 assigned the audit engagement for the nine-year period 2020-2028 to KPMG S.p.A..

The auditing firm has free access to the data, to the documentation and to the information useful for the performance of its own activities.

For each year, the company issues a report giving its opinion on the compliance of the statutory financial statements of the Bank with the regulations governing them.

11.4 MANAGER IN CHARGE OF PREPARING THE ACCOUNTING DOCUMENTS AND OTHER CORPORATE ROLES AND FUNCTIONS

The figure of the Manager in charge of preparing the accounting documents is governed by the Bank's Articles of Association, which require the person to be chosen from employees who have carried out - also in other companies - management functions for at least three years in accounting and/or auditing and/or internal auditing matters, or alternatively, has exercised the profession of accountant for at least five consecutive years, in observance of the requirements of integrity set forth in the applicable regulations for the appointment of members of the control bodies of listed companies.

The task is conferred on an open-ended basis by the Board or until an expiry date that may be established at the time of appointment, unless revoked, by the Board itself.

The Bank's Board of Directors, at the meeting on 9 February 2017, appointed the Joint General Manager as the Manager in charge of preparing the accounting documents Mr. Giulio Bastia.

The Board of Directors shall exercise oversight to ensure that the Manager in charge of preparing the accounting documents has adequate means and powers available to carry out his/her assigned duties with the help of all necessary human and material resources pertaining to the Bank, and independently exercising his spending power up to the limit of the budget annually authorised by the Board of Directors on the basis of a specific proposal presented by the Manager in charge of preparing the accounting documents and first submitted to the Board of Statutory Auditors.

In more detail, the Manager in charge of preparing the accounting documents is vested with all necessary powers for discharging his duties, so he can autonomously:

a. formulate and sign all accounting communications to be sent to the market on the Bank's behalf;
b. sign correspondence and communications of an accounting nature that are binding for the Bank;
c. prepare and sign the reports to the annual and consolidated financial statements;
d. prepare and approve business procedures impacting the individual and consolidated financial statements and documents subject to certification;

e. freely access all information deemed significant both inside the Bank and the Group companies, to obtain adequate flows of information and/or documentation;
f. communicate with all bodies and/or operative and auditing managers of the Bank;
g. have free access to all the Bank's computer systems;
h. have spending power up to the limits of the budget authorised annually by the Board of Directors;
i. organise the business structure using internal resources and, where necessary, may also outsource activities;
j. organise the human resources of the organisational units involved based on number and professionalism;
k. organise his office, hiring and organising all human resources and technical means deemed to be necessary;
l. use Internal Auditing, Organisation and Compliance for the mapping and analysis of the processes of competence and in implementing any specific controls held to be necessary.

11.5 COORDINATION BETWEEN THE PARTIES INVOLVED IN THE INTERNAL AUDITING AND RISK MANAGEMENT SYSTEM

The Board of Directors of the Bank assess at least on a half-yearly basis the adequacy and effectiveness of the Internal Auditing and Risk Management System with respect to the characteristics of the Bank and to the assumed risk profile.

All flows supporting the assessments of the Internal Auditing and Risk Management System by the Board of Directors of the Bank are preliminarily examined by the Risk Committee within the Board - which meets jointly with the Board of Statutory Auditors - that reports the results of its preliminary activity directly to the Board, with periodic Reports and/or by issuing opinions.

In the meeting of 19 March 2021, the following were presented to the Board:

a) The Annual Report of the Internal Auditing Function on the 2020 audits; the Report of the Internal Auditing Function on the audits carried out in 2020 on investment services; the Annual audits plan for 2021;
b) Report of the Risk Control Function on the activities carried out in 2020; plan of activities for 2021;
c) IFRS 9 and Third Pillar validation document;
d) The Compliance Function's Report on the activity carried out in 2020 and the Report on Customer complaints for 2020; the annual Audit Plan for 2021;
e) Annual Whistleblowing report;
f) The Supervisory Body's Report on the activity carried out in 2020;
g) The Report by the Manager in charge of preparing the accounting documents;
h) The Risk Committee's Report on the activity carried out in 2020;
i) The Remuneration Committee's Report on the activity carried out in 2020;
j) The Appointments Committee's Report on the activity carried out in 2020;
k) The Report on Corporate Governance;
l) The Remuneration Report pursuant to Article 123-ter of the Italian Consolidated Financial Law.

The Board of Directors, taking also into account the contents of the aforesaid Reports and the information acquired from the appointed Bodies, assessed the Bank's organisational, administrative and accounting structure as adequate as at the date of the Board meeting.

12.0 DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES

On 27 June 2019, the Board of Directors approved a new version of the "Regulation for Related Party Transactions and for the assumption of risk assets with regard to Related Parties" already adopted in 2013 in accordance with Art. 2391-bis of the Italian Civil Code, of Consob Regulation no. 17221/2010 and with Title V, Chapter 5 of the New Prudential Supervisory Provisions for Banks set forth in Bank of Italy's Circular no. 263. The aforementioned Regulation is available on the Company website (wwww.bancafinnat.it) in Investor Relations/Corporate Governance.

The Bank also adopted specific software for the assessment of the Related Parties and for the management of Related Party Transactions.

13.0 APPOINTMENT OF AUDITORS

In accordance with Article 20 of the Articles of Association, the Shareholders' Meeting elects the Board of Statutory Auditors, comprising three Permanent Auditors and two Alternate Auditors, all auditors listed in the register established at the Ministry of Justice.

The entire Board of Statutory Auditors is appointed on the basis of lists presented by the shareholders, wherein candidates must be listed and progressively numbered with regard to candidates to the office of Permanent Auditor, and assigned progressive letters with regards to Alternate Auditors, and in compliance with the pro tempore requirement regarding the balance of genders.
The Bank's Articles of Association have defined the methods, time-scales and requirements for the presentation of lists.

14.0 COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS

Auditors remain in office for three years and may stand for re-election. The Shareholders' Meeting that appoints the Auditors and the Chairman of the Board of Statutory Auditors also determine their fees. The Auditors shall be reimbursed all costs sustained by virtue of their office.

The Board of Statutory Auditors currently in office was appointed by the Shareholders' Meeting of 27 April 2018 and will remain in office until approval of the financial statements at 31 December 2020.

The members of the Board of Statutory Auditors were appointed from among the only list of candidates presented by the relative majority shareholder, Arturo Nattino. As no minority list was presented, Mr. Alberto De Nigro was elected Chairman on the proposal of the majority shareholder. The Shareholders' Meeting approved the appointment of the Board of Statutory Auditors with the favourable vote of 93% of the voting share capital (accounting for 69% of the share capital).

The members in office are: Alberto De Nigro (Chairman), Barbara Fasoli Braccini (Permanent Auditor), Francesco Minnetti (Permanent Auditor), Antonio Staffa (Alternate Auditor) and Laura Bellicini (Alternate Auditor).

The CV with the personal and professional characteristics of the Auditors is available on the Website of the Bank, www.bancafinnat.it in the section "Governance".

During the year, there has been a constant exchange of information between the Board of Statutory Auditors and the Bank's control functions.

In 2020, the Board of Statutory Auditors met 24 times, with meeting attendance at 95% and with an average duration of approximately 2 hours. This year, 7 meeting has already been held.

The Board of Statutory Auditors attends the meetings of the Risk Committee and of the Remuneration Committee.

An Auditor who, on his own or on third parties' behalf, has an interest in a given transaction of the Issuer, shall promptly and thoroughly inform the other auditors and the Chairman of the Board of Statutory Auditors with regard to the nature, terms, origin and scope of his/her interest.

In relation to coordination between the parties involved in the internal auditing and risk management system, please refer to paragraph 11.6 above.

With respect to the accumulation of the offices to serve as members of the administration and control bodies in other companies, the limits set by Consob with Article 144-terdecies of the Issuers' Regulation shall apply.

Based on the communications received, the offices of Director or Statutory Auditor held by each Auditor in other companies are indicated below:

ALBERTO DE NIGRO (Chairman)

Vianini S.p.A. (Chairman of the Board of Statutory Auditor), Autostrade per l'Italia (Permanent Auditor), Atlantia S.p.A. (Permanent Auditor).

FRANCESCO MINNETTI (Permanent Auditor)

InvestiRE SGR S.p.A. (Chairman of the Board of Statutory Auditors), Green Arrow Capital SGR SpA (Chairman of the Board of Statutory Auditors), Green Arrow Capital S.p.A. (Chairman of the Board of Statutory Auditors), Italiana Costruzioni S.p.A. (Permanent Auditor).

Diversity Policies

The Bank complies with gender diversity criteria, in the composition of the Board of Statutory Auditors: one third of the permanent and alternate members of the Board consists of statutory auditors of the less represented gender.

15.0 RELATIONS WITH SHAREHOLDERS

The Bank dedicates particular attention to investor relations instruments, to manage transparently relations with shareholders and the financial community (institutional investors, managers, analysts); for this purpose, it organises periodic meeting with the financial community, of which it provides adequate information in its own Website, in the dedicated section.

In the specific Investor Relations section of the Bank's website (www.bancafinnat.it) information of both an accounting and financial nature is available (financial statements, half-yearly reports and quarterly reports, trend of the market value of financial instruments issued by the Bank and traded on regulated markets), in addition to information of interest to most shareholders (the make-up of the corporate bodies, group set-up, etc.), as well as press releases, documents presented during the regular meetings with the financial community, explanations of extraordinary operations and other significant and price-sensitive information.

The website also includes the Calendar of Corporate Events, with the dates of the Shareholders' Meetings and the meetings of the Board of Directors called to approve the draft statutory financial statements, the consolidated financial statements, the half-yearly report and the interim management reports, in addition to those of a more strictly financial nature.

Banca Finnat's Investor Relation Manager is Mr. Gian Franco Traverso Guicciardi (Tel. +39 06 699 331 E-mail: g.traverso@finnat.it).

16.0 SHAREHOLDERS' MEETINGS

The Shareholders' Meeting, duly constituted, represents all shareholders. Its resolutions, when taken in compliance with the law, oblige them even if not having attended or in disagreement. The ordinary or extraordinary meeting meets in accordance with the law and the provisions of the Articles of Association.

The Board of Directors must call the Shareholders' Meeting to approve the financial statements at least once a year, within one hundred and twenty days of year end. Ordinary and extraordinary meetings can be held in either the registered offices or elsewhere, in a place to be specified in the notice of calling, as long as within the territory of the

Italian State. For the methods by which the Shareholders' Meetings may be called, their constitution and the validity of the resolutions passed are in accordance with the provisions of law.

The Chairman of the Shareholders' Meeting ensures that the meeting has been regularly called, ascertaining the identity and legitimate presence of those in attendance, governs its proceedings and the results of votes cast. Said results must be noted in the minutes.

There are no provisions for: shares with multiple votes, loyalty shares, or particular rules pertaining to the percentages set for exercising the shares and the prerogatives safeguarding minorities.

The Shareholders' Meeting is chaired by the Chairman, or by one of the two Deputy Chairman of the Board of Directors in his absence, or in the absence of both, by the person appointed by the shareholders present. The Bank's Articles of Association define the methods of calling and holding of the shareholders' meetings.

Seven directors attended the Shareholders' Meeting of 29 April 2020.

All documents about the Shareholders' Meeting were made available in a timely manner on the Bank's Website and at its registered office.

On 18 December 2018, the Board of Directors adopted, in accordance with Article 7 of the Articles of Association and in compliance with the principles outlined in the Code, a regulation governing the conduct of the ordinary and extraordinary Shareholders' Meeting of the Bank, approved by the Shareholders' Meeting on 24 April 2019 and amended by the next Shareholders' Meeting on 1 August 2019, to acknowledge some of the additions requested by a shareholder. During the year, no significant changes occurred in the market capitalisation of the Bank's shares or in its shareholders.

17.0 FURTHER CORPORATE GOVERNANCE PRACTICES

Credits Committee

The Board of Directors, with its resolution of 16 February 2004, established the Credits Committee as an advisory instrument in the decision to grant credit facilities and subsequently, in the meeting of 12 November 2010, resolved also to attribute decision-making functions to the Committee, within the limits set by the Board itself.

The Committee, appointed by the Board of Directors, comprises seven members:

Arturo Nattino (Chairman), Giulio Bastia, Leonardo Buonvino, Giampietro Nattino, Tommaso Gozzetti, Carlo Pittatore and Antonio Aloi (members).

Participation in the Committee's meetings, depending on the items up for discussion, may be extended to contractors or third parties.

Functions of the Committee:

- formulates the credit policy contents to be submitted by the Managing Director to the Board of Directors;
- proposes improvements to make to the credit Regulations, to the procedures and systems supporting the lending activity;
- defines the economic conditions to be applied to the individual credit lines;
- expresses consultative opinion on the credit line and status shift proposals for positions reserved to the decision-making competence of the bodies above the Committee itself, after obtaining the opinion of the head of the Risk Control OU;
- resolves on the credit line and status shift proposals for positions reserved to own decision-making competence, after obtaining the opinion of the head of the Risk Control Organisational Unit;

- carries out periodic checks on credit exposures and on compliance with the ratios defined by the supervisory Authorities.

The Credits Committee generally meets once a week and, in any case, each time it may be necessary.

The Head of the Legal Department serves as Committee Secretary, preparing the meeting minutes; the minutes, approved at the end of the meeting, are signed by the Chairman and by the Secretary and the related documentation is retained by the Legal Department.

The Committee reports every six months to the Board of Directors on the activity it carries out.

The Committee passes its resolutions by majority vote of those in attendance, expressed by raising their hands. Any contrary votes or abstentions are mentioned in the minutes.

Committee members shall keep strict confidentiality and refrain from divulging any information whereof they become aware in the performance of their duties and they act with utmost diligence to prevent the external disclosure of confidential information.

Management Committee

By means of resolution of 15 December 2011, the Board of Directors established the Management Committee as a support body for the Managing Director and the General Manager in the definition of the guidelines and investment strategies of the assets managed.
The Committee is composed of the Managing Director and the General Manager (Chairman), and as members by the Deputy General Manager, the Head of Sales Department, the Head of Investments and institutional relations Department, the Head of the Studies, research and investor relations Organisational Unit, the Representative of Family office Organisational Unit, the Head of Institutional investors Organisational Unit, the Head of the Financial consultancy Organisational Unit and the Head of the Assets Management Organisational Unit.

Functions of the Committee

- formulates proposals, within the investment policies, assessing whether to maintain and/or make any changes to the breakdown of the managed portfolio;
- provides operational guidance in relation to the practical implementation of the initiatives and agrees the respective interventions;
- provides indications, as a result of the assessments made, with regard to the lines of action to be undertaken in terms of investment strategy;
- analyses, in collaboration with the office of the Deputy General Manager and in particular with the Asset Management Organisational Unit, the managed customers' portfolio, thereby assessing the performance and general strategies on the investments carried out by the Bank;
- monitors and evaluates current market performance, in order to reach opinions on future performance;
- approves the model portfolios (Portfolios) prepared by the Investments and Institutional Relations Department.

Treasury Committee

The Treasury Committee, appointed by the Board of Directors, is a body supporting the Managing Director and General Manager with respect to the investment policies and guidelines for the assets of the Bank.

The Committee is composed of the Managing Director and the General Manager (Chairman), and as members by the Joint General Manager and by the Head of the Credits Organisational Unit, the Deputy General Manager, Head of the Sales Department, Head of the Treasury Organisational Unit and Head of the Risk Control Organisational Unit.

Functions of the Committee:

- defines the investment strategies for the assets of the Bank;
- provides addresses with regard to the consequent asset allocation consistently with the risk limits set by the Board of Directors;
- monitors performance of the treasury activity;
- analyses the property portfolios;
- monitors the trend and the situation of the Bank's liquidity and provides indications in this regard.

Internal Risk and Audit Committee

By means of resolution of 15 December 2011, the Board of Directors established the Credits Committee as support body for the Managing Director and General Manager in formulating proposals pertaining to the identification, measurement, management and monitoring of the group's risks and of the RAF and in the analysis of risks and their level of control, assured by the corporate control functions and by the operational processes.
The Committee consists of the Managing Director and General Manager (Chairman) and, as members, the Joint General Manager, the Deputy General Manager, the Head of the Administration and Control Department, the Head of Internal Auditing, the Head of Risk Management, the Head of Anti-Money Laundering, the Head of Compliance and the Head of the Operations Department.

Functions of the Committee

The Committee meets every 3 months:

- to analyse the group's level of risk exposure in relation to the different classes of risks, with the support of the organisational units tasked with risk management and control;
- to analyse and propose upgrades to the group's internal auditing system;
- to support the Managing Director and General Manager in the analysis and in the assessment of the restructuring plan and in the assessment of the revisions to be made to the Plan;
- to analyse and assess any exceedance of the defined thresholds of the recovery indicators and if the conditions for the proposed resolution to open the state of crisis hold true, to support the Managing Director and General Manager in the consequent activities under their competence;
- to analyse the performance of corporate liquidity and its monitoring, to assess any exceedance of the risk tolerance thresholds set by the Board of Directors and, if the Emergency Plan (CFP) is activated, to support the Managing Director and General Manager in the consequent activities under their competence.

18.0 CHANGES SINCE THE YEAR END OF REFERENCE

In light of the recent regulatory changes that have affected the national and European regulatory framework, the Bank's Board of Directors on 25 January 2021 approved the draft amendments to the articles of association which will be submitted to the shareholders' meeting on 30 April 2021, subject to prior authorisation of the Bank of Italy. The interventions referred to are the following:

- the approval of law no. 160 of 27 December 2019, containing the "State budget for the financial year 2020 and the multi-year budget for the 2020-2022 three-year period" (the "Budget Law") with reference to the discipline of gender quotas;

- the Bank of Italy's regulation of 5 December 2019 implementing articles 4-undecies and 6, paragraph 1, letters b) and c-bis), of the Consolidated Financial Law, ("Bank of Italy's Regulation") with reference to the corporate governance of intermediaries;
- the latest updates to Bank of Italy's Circular no. 285 of 17 December 2013 ("Bank of Italy's Circular"). In this regard, the proposal for the revision of said supervisory provisions on the corporate governance of banks and banking groups submitted for consultation on 24 December 2020 by the Bank of Italy was also voluntarily taken into account ("Document in Consultation");
- Decree no. 169 of the Ministry of the Treasury of 23 November 2020 (published in the Official Gazette on 15 December 2020), containing the regulation on the requirements and eligibility criteria for the performance of the office of corporate officers, inter alia, of banks (the "Fit & Proper Regulation").

Furthermore, it should be noted that on 8 March 2021 Covivio 7 S.p.A. (formerly Beni Stabili Siiq) - a 17.89% shareholder of InvestiRE SGR - sold its entire stake (equal to 2,643 shares) to Banca Finnat; at the same time, the Bank sold 8.9% (equal to 1,315) of the shares purchased to E.N.P.A.F. (National Insurance and Assistance Agency for Pharmacists).
This transaction allowed the entry into the InvestiRE capital of ENPAF which, as a historical shareholder of the SGR, will be able to contribute to the strategic development of InvestiRE. Upon completion of the transaction, the Bank increased its stake in InvestiRE Immobiliare SGR from 50.16% to 59.15%.

19.0 CONSIDERATIONS ON THE LETTER OF 22 DECEMBER 2020 OF THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE

The Chairman of the Board of Directors, in its meeting of 25 January 2021, opened a discussion with regard to the letter of 22 December 2020 of the chairman of the Corporate Governance Committee, Ms. Patrizia Grieco, and on the attached Annual Report - 8th Report on the Application of the Governance Code for 2020, tenth year of activity of the Committee and asked the competent Committees to carry out in-depth analyses and their own evaluations regarding the recommendations contained therein.

With regard to the first Recommendation concerning the issue of sustainability linked to the strategy, the internal risk control and management system and the remuneration policy, also on the basis of a relevance analysis of the factors that may affect the generation of value in the long term period, the Board endorsed the conclusions of the two competent Committees; in particular, having regard to the size and complexity of the Bank, the Risk Committee considered that the Bank, despite being a listed company, has a controlling majority which in any case does not favour the creation of short-term value, but rather encourages the Directors to pursue the long-term interests of the company, and this also results from the examination of the variable components of the remuneration of executive directors and senior management and from the capital ratios of the Bank, which are particularly solid. That said, the Risk Committee confirmed that the Bank - on the basis of the analyses carried out - pursues a sustainable business.
In relation to the issue of remuneration, the Board Committee confirmed what already stated last year, i.e. that the issue of sustainability is well represented and adequately covered by the Bank in the definition of the remuneration strategies and policy.

The Remuneration Committee also specified that the Bank's remuneration policies are oriented towards the generation of long-term values and that conduct is discouraged that is not aligned with the risk propensity identified by the Bank for itself or for the group on the basis of prudential choices.

With regard to the subject of pre-meeting information, it should be noted that on 6 August 2020 the Board of Directors approved the update of its Regulations, which provides that for the discussion of the items on the agenda, the supporting documentation with which the necessary information is made available to Directors and Statutory Auditors by the Board Secretary to allow them to express themselves with awareness on the matters subject to resolution.

This documentation is provided to the Directors and Statutory Auditors on a consultation platform that guarantees the necessary confidentiality. The documentation is made available at the time of convocation and in any case well in advance of the date of the board meeting, usually by the fifth day prior to the date set for the meeting, except in cases of urgency in which the documentation is made available as quickly as possible upon notice by e-mail.

The Chairman makes every effort to ensure the maximum promptness in the release of the documentation to guarantee the correct and complete information of the Directors and Statutory Auditors. The terms indicated were generally respected.

With regard to the issue of the application of the independence criteria and in particular with regard to the fact of: i) always justifying on an individual basis the possible non-application of one or more independence criteria; and to ii) define *ex ante* the quantitative and/or qualitative criteria to be used for assessing the significance of the relationships under examination, the Board endorsed the conclusions of the Appointments Committee.

In this regard, the Appointments Committee noted that the Bank currently has to comply with the recent Decree no. 160/2020 and with the provisions of the new edition of the Corporate Governance Code.

It should be noted that the independence criteria are reported in the report of the Appointments Committee on the composition as optimal quantity, which is published on the Bank's institutional website in the *Investor Relations/Corporate Governance/Shareholders' Meeting/Shareholders' Meeting documentation of 30 April 2021* section.

With regard to the recommendation to "*provide, at least in large companies, a succession plan for executive directors that identifies at least the procedures to be followed in the event of early termination of office*", the contents of the Corporate Governance Report at 31 December 2019 are confirmed, i.e. that the Appointments Committee, considering the Bank's shareholding structure, its size and its operational complexity, concluded by considering that in the current situation it is not necessary to adopt specific succession plans for executive Directors; it recommended to the Managing Director and to the Bank's structures to check the delegating system with a view to business continuity.

Having regard to the case of early termination of office, the Appointments Committee instead deems it appropriate for the Board to identify the procedures to be followed in this regard.

With regard to the issue of remuneration policies, the Board endorsed the conclusions of the Remuneration Committee.

In particular, with regard to the recommendation to "*provide indications regarding the "weighting "of the variable component of remuneration and the distinction within it between the components linked to annual and multi-year time horizons*", the Committee considered that with regard to the Directors (executive and non-executive) and the members of the Control Body, that the Bank's remuneration policies establish exclusively fixed remuneration and do not provide for the payment of remuneration linked to the company's economic and financial results (for example, through participation in incentive plans for short or medium term).

For Top Management, on the other hand, the Bank's Remuneration Policies provide for the possibility of payment of variable remuneration, basically through the incentive plan.

The weighting of the variable component linked to the incentive system of these figures is very limited: the maximum bonus amount payable cannot exceed 75% of the respective fixed remuneration; in fact, however, with regard to the most recent annual incentive plans, this percentage never exceeds on average 20%.

With regard to the recommendation to "*strengthen the link between variable remuneration and long-term performance objectives, including, where relevant, also non-financial parameters*", the Committee considered that the variable remuneration component is in fact linked to long-term performance objectives: this, to the extent that it remains bound year by year to the achievement of results that represent the definition of the longest-running corporate strategies and objectives of the Business Plan over the individual annual financial years.

In this context, the incentive plan - which represents the most important form of variable remuneration - and the performance objectives related to it have an annual time horizon: the formation of the bonus pool is linked to actual results for the year (annual net profit), but also to the compliance with specific indicators of capital solidity, risk-adjusted profitability and liquidity, consistent with the system of risk objectives defined by the Bank (RAF).

With regard to the recommendations to "*limit to exceptional cases, after adequate explanation, the possibility of disbursing sums not linked to predetermined parameters (i.e. ad hoc bonuses)*", and to "*define criteria and procedures for the assignment of end-of-office indemnities*", the Committee considered that given the lack of provision for forms of variable remuneration in favour of the Directors and members of the Supervisory Body, the Bank's Remuneration Policies do not consider the possibility of disbursing ad hoc bonuses to the same, not linked to predetermined parameters nor end-of-office indemnities.

Also for the members of the Top Management no *ad hoc* bonus payments are envisaged, nor does the policy regulate the possibility of paying end-of-office indemnities.

Moreover, unlike the Directors and the members of the Supervisory Body, the remuneration policies envisage for these figures, as mentioned, the possibility of paying forms of variable remuneration, provided that the rule of balancing between the variable component and the fixed individual remuneration is respected, which sets the maximum limit of the ratio between the two factors at 1:1.

Finally, with regard to the recommendation to "*verify that the extent of the remuneration paid to non-executive directors and members of the control body is adequate for the competence, professionalism and commitment required by their office*", the Committee decided to confirm the conclusions formulated last year, in the margins of the comparison analysis conducted in the first months of 2020 with the micro system of smaller banks, which highlighted a general congruity of the amounts in question.

TABLE 1: INFORMATION ON SHAREHOLDERS

SHARE CAPITAL STRUCTURE at 31 December 2020				
	No. of shares	% of share capital	Listed/unlisted	Rights and obligations
Ordinary shares	362,880,000	100%	STAR	N.A.
Shares with limited voting right (savings shares)	N.A.	N.A.	N.A.	N.A.
Shares without voting right	N.A.	N.A.	N.A.	N.A.

OTHER FINANCIAL INSTRUMENTS (assigning the right to subscribe newly-issued shares)				
	Listed/unlisted	No. of instruments in issue	Categories of shares under conversion/exercise	No. of shares under conversion/exercise
Convertible bonds	NA	NA	NA	NA
Warrants	NA	NA	NA	NA

MAJOR EQUITY INVESTMENTS at 31 December 2020			
Declarant	Direct shareholder	% share of ordinary capital	% share of voting capital
Celeste Buitoni	Celeste Buitoni	-	7.4863%
Arturo Nattino	Arturo Nattino	21.675%	21.675%
Andrea Nattino	Andrea Nattino	16.8881%	10.8537%
Giulia Nattino	Giulia Nattino	12.00%	12.00%
Paola Nattino	Paola Nattino	12.00%	12.00%

TABLE 2: COMPOSITION OF THE BOARD OF DIRECTORS AND OF COMMITTEES AT 31 DECEMBER 2020

Board of Directors													Risk Committee		Remuneration Committee		Appointments Committee		Executive Committee, if applicable	
Office	Members	Year of birth	Date of first appointment*	In office from	In office until	List**	Exec.	Non-exec.	Indep. Code	Indep. TUF	No. other offices***	(*)	(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)
Chairman	Flavia Mazzarella	1958	10/02/2016	27/04/2018	Approv. 2020 financial statements	M		X	X	X	1	15/15							NA	NA
Honorary Chairman	Carlo Carlevaris	1931	21/06/2003	27/04/2018	Approv. 2020 financial statements	M		X			0	4/15							NA	NA
Deputy Chairman	Leonardo Buonvino	1937	28/04/2006	27/04/2018	Approv. 2020 financial statements	M	X				0	14/15							NA	NA
○ Deputy Chairman	Marco Tofanelli	1962	15/12/2011	27/04/2018	Approv. 2020 financial statements	M		X	X	X	1	13/15	12/12	P			3/4	M	NA	NA
◊ • Man. Director and General Manager	Arturo Nattino	1964	14/05/2009	27/04/2018	Approv. 2020 financial statements	M	X				0	15/15							NA	NA
Director	Ermanno Boffa	1966	29/04/2009	27/04/2018	Approv. 2020 financial statements	M		X	X	X	1	13/15	12/12	M	5/5	M			NA	NA
Director	Roberto Cusmai	1943	26/04/2012	27/04/2018	Approv. 2020 financial statements	M		X	X	X	0	15/15	12/12	M	5/5	P			NA	NA
Director	Giulia Nattino	1974	24/04/2013	27/04/2018	Approv. 2020 financial statements	M		X			0	13/15							NA	NA
Director	Maria Sole Nattino	1976	28/04/2015	27/04/2018	Approv. 2020 financial statements	M		X			0	15/15							NA	NA
Director	Lupo Rattazzi	1953	28/10/2008	27/04/2018	Approv. 2020 financial statements	M		X			5	15/15					4/4	M	NA	NA
Director	Andreina Scognamiglio	1959	28/04/2015	27/04/2018	Approv. 2020 financial statements	M		X	X	X	0	15/15			4/5	M	4/4	P	NA	NA

-------------------------------THERE ARE NO DIRECTORS WHO LEFT OFFICE DURING THE REFERENCE YEAR-------------------------------

No. of meetings held during the reference year: BoD: 15 Risk Committee: 12 Remuneration Committee: 5 Appointments Committee: 4 Executive Committee: NA

Quorum for the presentation of lists by minorities for the election of one or more members (pursuant to art. 147-ter of the Consolidated Financial Law): 2.5%

NOTES

The symbols indicated below must be inserted in the column "Office":

• This symbol indicates the director in charge of the internal auditing and risk management system.

◊ This symbol indicates the main person responsible for management of the issuer (Chief Executive Officer or CEO).

○ This symbol indicates the Lead Independent Director (LID).

* Date of first appointment of each director means the date on which the director was appointed for the first time (first ever) to the issuer's Board of Directors.

** This column indicates the list from which each director has been taken ("M": majority list; "m": minority list; "BoD": list presented by the Board of Directors).

*** This column indicates the number of positions of director or statutory auditor held by the interested party in other companies listed on regulated markets, including foreign, in financial, banking, insurance or large companies. The Report on Corporate Governance indicates the positions in full.

(*) This column indicates the participation of the directors in the meetings of the BoD and the committees respectively (indicate the number of meetings attended out of total meetings that could have been attended; e.g. 6/8; 8/8 etc.).

(**) This column indicates the role of the director in the Committee: "P": Chairman; "M": member.

NB Mr. Tofanelli was appointed for the first time at Banca Finnat on 15 December 2011, until the termination of his office on 20 November 2015. Subsequently, he was appointed via co-optation again on 10 March 2017, and confirmed by the shareholders' meeting on 27 April 2017.

TABLE 3: COMPOSITION OF THE BOARD OF STATUTORY AUDITORS AT 31 DECEMBER 2020

Office	Members	Year of birth	Date of first appointment *	In office from	In office until	List **	Independence Code	Board meetings attended ***	Number of other offices held****
Chairman	Alberto De Nigro	1958	26/04/2012	27/04/2018	Approv. 2020 financial statements	M	X	23/24	3
Permanent Auditor	Barbara Fasoli Braccini	1969	28/04/2015	27/04/2018	Approv. 2020 financial statements	M	X	23/24	0
Permanent Auditor	Francesco Minnetti	1964	21/06/2003	27/04/2018	Approv. 2020 financial statements	M		24/24	3
Alternate Auditor	Laura Bellicini	1964	28/04/2015	27/04/2018	Approv. 2020 financial statements	M	X	***	0
Alternate Auditor	Antonio Staffa	1943	26/04/2015	27/04/2018	Approv. 2020 financial statements	M	X	***	3
THERE ARE NO AUDITORS WHO LEFT OFFICE DURING THE YEAR									
No. of meetings held during the reference year: 24									
Quorum for the presentation of lists by minorities for the election of one or more members (pursuant to art. 148-ter of the Consolidated Financial Law): 2%									

NOTES
* Date of first appointment of each statutory auditor means the date on which the statutory auditor was appointed for the first time (first ever) to the issuer's Board of Statutory Auditors.
** This column indicates the list from which each auditor was taken ("M": majority list; "m": minority list).
*** This column indicates the participation of the statutory auditors in the meetings of the Board of statutory auditors (indicate the number of meetings attended out of total meetings that could have been attended; e.g. 6/8; 8/8 etc.).
**** This column indicates the number of positions of director or statutory auditor held by the interested party pursuant to art. 148-bis of the Consolidated Financial Law and the associated implementing provisions contained in the Consob Issuers Regulation. The full list of offices is published by Consob on its website pursuant to art. 144-quinquiesdecies of the Consob Issuers' Regulation.

2020 GROUP REPORT

REPORT ON GROUP OPERATIONS

Dear Shareholders,

The consolidated financial statements closed at 31 December 2020 show a net profit of 5,091 thousand euros, higher by 4,657 thousand euros compared to that of the previous year which was 434 thousand euros, despite the spread of the COVID-19 virus and the consequent restrictive measures for its containment put in place by the public authorities of the countries concerned.

The result was also affected by the net impairment losses for credit risk made by the Bank and relating to performing financial assets, prudently increased to take account of the economic crisis, in line with the indications of the Regulatory Authorities.
The effects of the spread of the COVID-19 are outlined in detail in the paragraph "The main transactions and events in the year" in the Report on Operations of the separate financial statements.

The main items that form the financial year results are shown below and compared with the corresponding figures of the previous year:

Total income totals 68,190 thousand euros, compared to 70,324 thousand euros in the previous financial year. The overall decrease by 2,134 thousand euros consists of the following:

Increases

- 1,484 thousand euros as Net trading expense. At 31 December 2020, the item had a negative balance of 253 thousand euros, compared to a negative balance of 1,737 thousand euros in 2019;
- 742 thousand euros for Net gain from disposal of financial assets at amortised cost and financial assets at fair value through other comprehensive income (positive balance of 1,448 thousand euros at 31 December 2020, compared to a positive balance of 706 thousand euros in 2019);
- 527 thousand euros for Net losses on other financial assets mandatorily measured at fair value (negative balance of 399 thousand euros at 31 December 2020 compared to an equally negative balance of 926 thousand euros in 2019).

Decreases

- 128 thousand euros for Net interest income (16,158 thousand euros at 31 December 2020 compared to 16,286 thousand euros in 2019);
- 3,538 thousand euros for Net fee and commission income (49,444 thousand euros at 31 December 2020 compared to 52,982 thousand euros in the previous year) due to lower fees and commissions, for 2,579 thousand euros, deriving from the transfer of the business unit by the subsidiary InvestiRE SGR to Redo SGR;
- 1,221 thousand euros for Dividends and similar income (1,792 thousand euros at 31 December 2020, compared to 3,013 thousand euros in 2019).

Net impairment losses for credit risk. This item showed net impairment losses totalling 5,162 thousand euros relating to impairment losses of Financial assets at amortised cost (5,561 thousand euros) and to value recoveries of Assets at fair value through other comprehensive income (399 thousand euros).
In the last financial year, impairment losses had instead been made on Financial assets at amortised cost of 12,167 thousand euros (of which 12,219 thousand euros related to the specific impairment loss made by the Bank on the Bio-on credit) and value recoveries relating to Assets at fair value through other comprehensive income of 151 thousand euros.

Administrative expenses amount to 52,190 thousand euros and are 1,810 thousand euros lower than the previous year (54,000 thousand euros), affected by the lower costs, for 1,670 thousand euros, deriving from the transfer of the business unit by InvestiRE SGR to REDO SGR and are made up as follows:

- personnel expenses of 36,025 thousand euros were down by 202 thousand euros compared to last year (36,227 thousand euros);
- other administrative expenses of 16,165 thousand euros decreased by 1,608 thousand euros compared to the same period of the previous year (17,773 thousand euros). The other administrative expenses include recoveries from customers of some costs allocated under Other operating income/expenses.

Depreciation and net impairment losses on property, equipment and investment property. The item includes impairment losses of 3,423 thousand euros (3,445 thousand euros in 2019) and comprises the depreciation of the right to use assets acquired under leases, amounting to 3,024 thousand euros (2,998 thousand euros in 2019).

Other operating income, net showed a positive balance of 4,990 thousand euros versus 5,430 thousand euros in 2019. Income comprises the recoveries of costs from customers, amounting to 4,636 thousand euros (4,983 thousand euros in 2019).

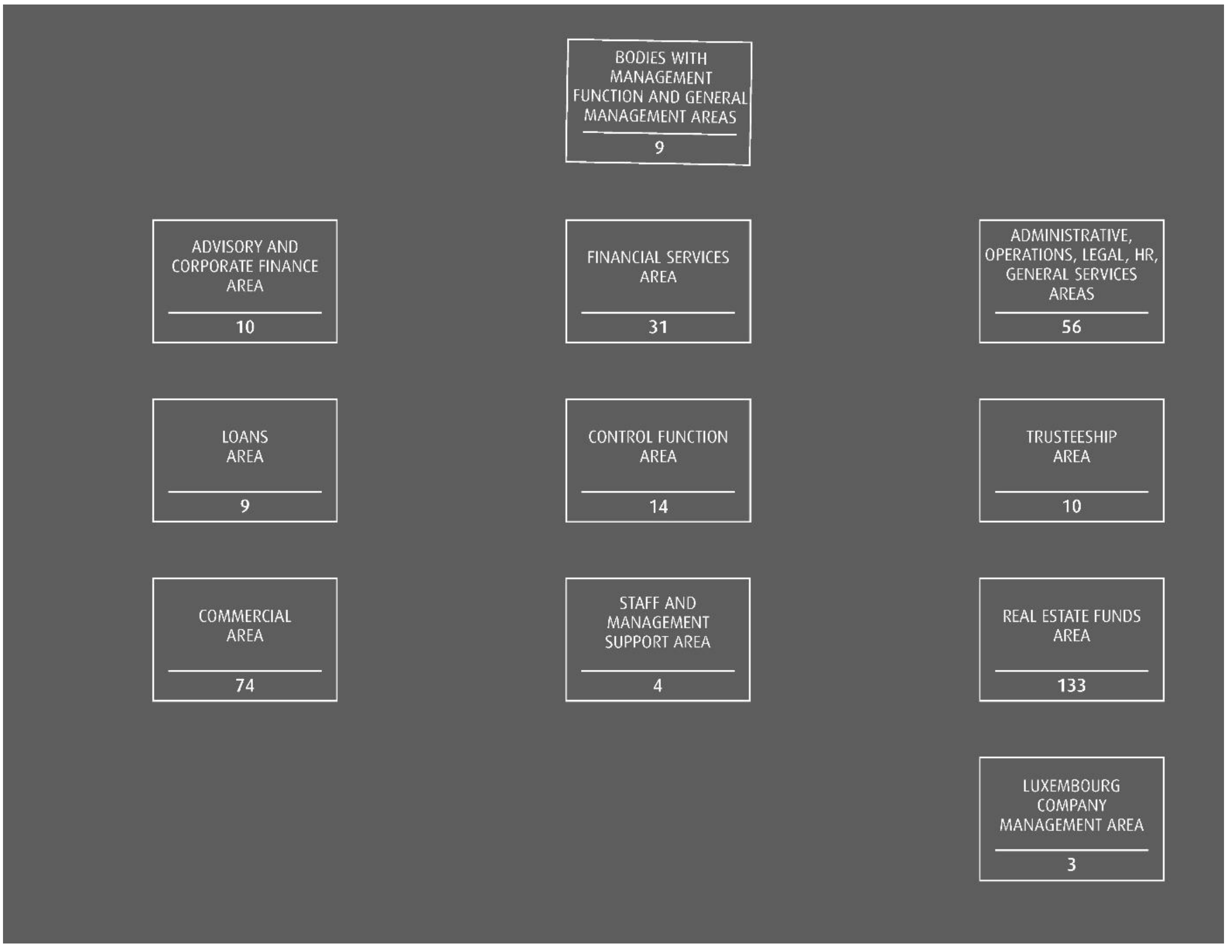
Income taxes amounted to 3,787 thousand euros compared to 3,094 thousand euros in the previous year.

* * *

The change in "Valuation reserves" together with the result for the year, are shown in the Statement of Comprehensive Income.

The structure of Banca Finnat Euramerica and of Group Companies

The allocation of total human resources within the activities carried out by the Bank and the Group subsidiaries can be represented as follows:

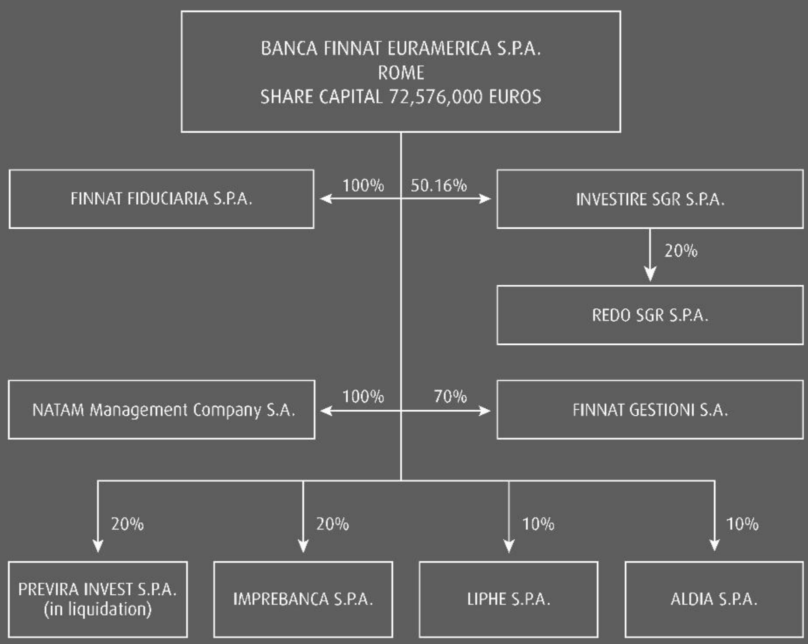


The total number of personnel in the Group at 31 December 2019 was unchanged as shown in detail below:

	31/12/2020	31/12/2019
Personnel employed	339	341
- executives	56	52
- managers	144	145
- clerical workers	139	144
Contractors	9	7
Financial agent advisors	5	5
Total	353	353

The Group Companies

At 31 December 2020, the Group's structure was as follows:



Compared to 31 December 2019, the structure of the Group has changed following the sale to third parties by the subsidiary InvestiRE SGR S.p.A. of 2.56% of the equity investment held in REDO SGR S.p.A. and the subsequent capital increase in which InvestiRE SGR SpA did not participate. Following these transactions, the equity investment of InvestiRe in REDO went from 33.3% to 20%.

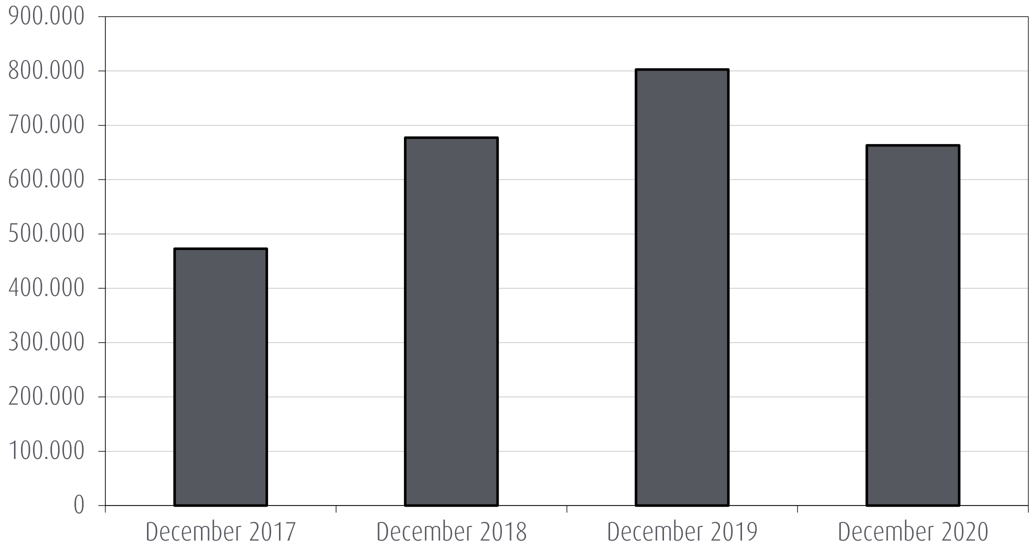
Changes in the Group's deposits
(in thousands of euros)

	December 2017	December 2018	December 2019	December 2020
Direct deposits from customers of the parent company	472,787	677,119	802,644	663,025
- Due to customers (current accounts)	358,892	439,262	565,790	478,268
- Time deposits	91,301	209,607	211,941	184,757
- Securities issued	22,594	28,250	24,913	-
Indirect deposits of the parent company	5,540,931	6,152,748	6,441,594	5,528,219
- Individual management	571,803	480,921	484,820	516,798
- Delegated management	285,681	278,565	279,479	256,551
- Deposits under administration (UCIs and securities)	3,924,304	4,544,537	4,539,880	3,524,466
- Deposits under administration under advice (UCIs and securities)	649,060	695,044	859,826	921,118
- Third-party insurance products	110,083	153,681	277,589	309,286
Trusteeship (*)	1,458,411	1,629,864	1,881,194	1,844,502
Real Estate Fund Management (**)	7,525,912	7,321,884	7,078,247	6,643,548
Luxembourg-based Sicav fund administration	694,087	662,936	770,279	767,470
Total deposits	15,692,128	16,444,551	16,973,958	15,446,764

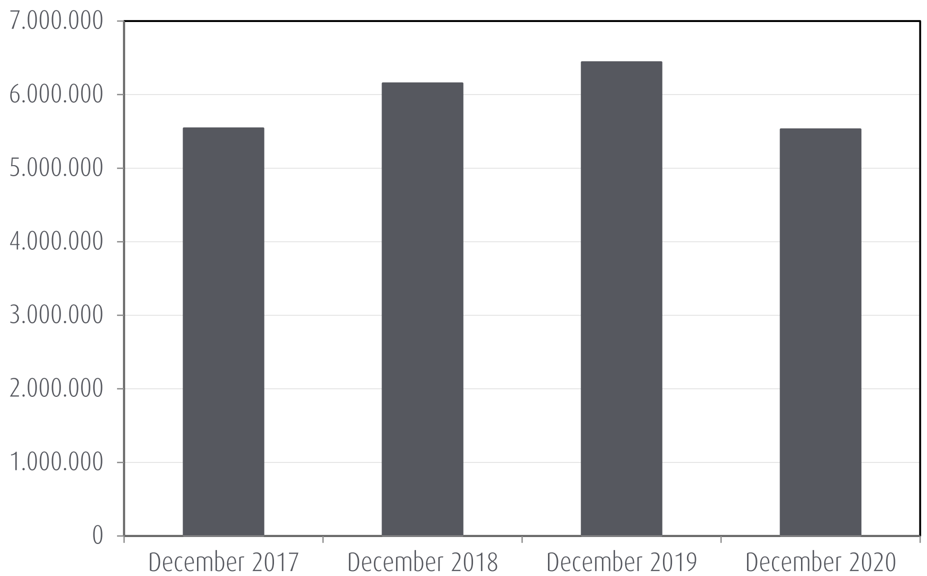
(*) The data from December 2017 did not include the mandates of Finnat Fiduciaria S.p.A. relative to the management and custody of assets without custodial capacity.
(**) The figures for December 2017 and 2018 included the assets of the FIL 1 and FIL 2 funds (for a total of 327 thousand euros in 2017 and 426 thousand euros in 2018) transferred in 2019 to REDO SGR S.p.A. following the transfer of the business unit by InvestiRE SGR S.p.A.

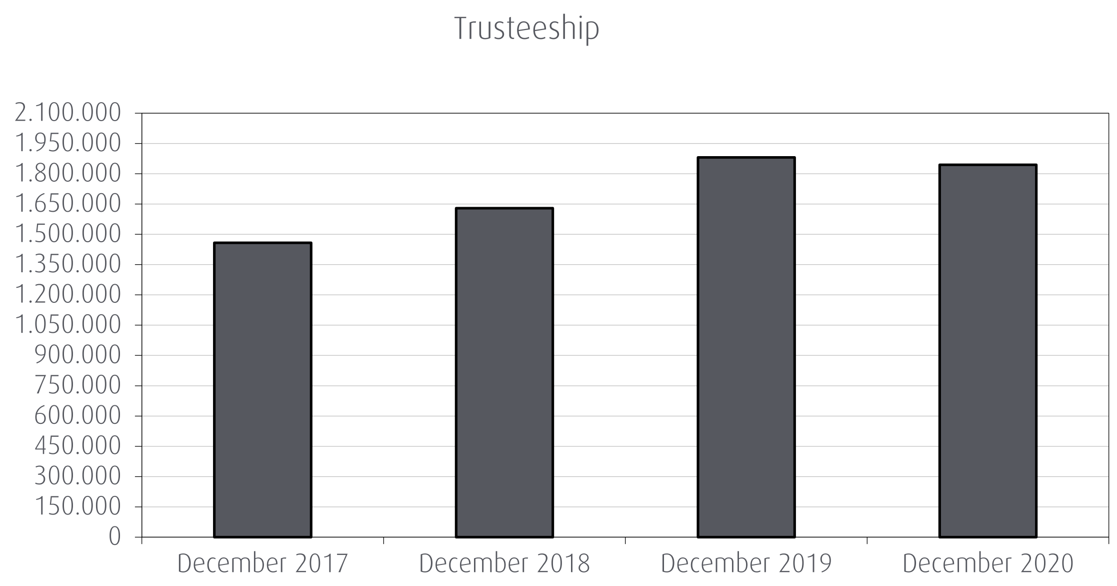
The above table shows the changes in the Group's deposits broken down by type. In detail: a) direct and indirect deposits from customers refers to the Bank's activity and does not include repos having the Cassa di Compensazione e Garanzia as the counterparty; b) trusteeship includes the deposits of Finnat Gestioni S.A.; c) the assets of the subsidiary InvestiRE SGR S.p.A. are measured at the market value of the total managed assets before subtracting debt (GAV).
All assets shown in the statement also take into account the amount invested in them and originating from the other types highlighted with the exception of "Luxembourg-based Sicav fund administration" that does not include the delegated management already included in the indirect deposits of the Parent Company.

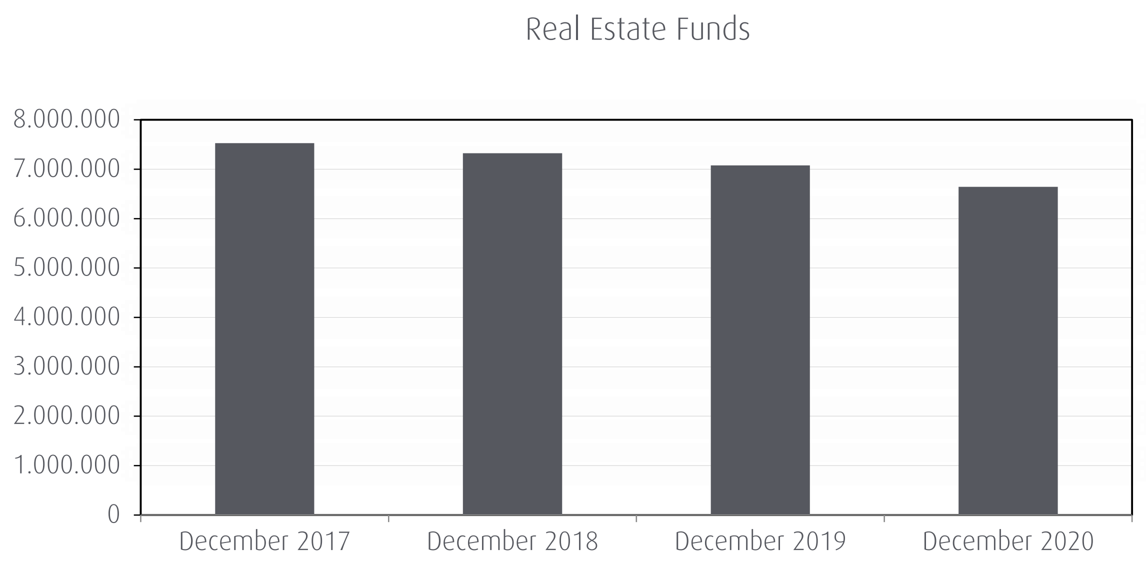
Direct deposits from customers



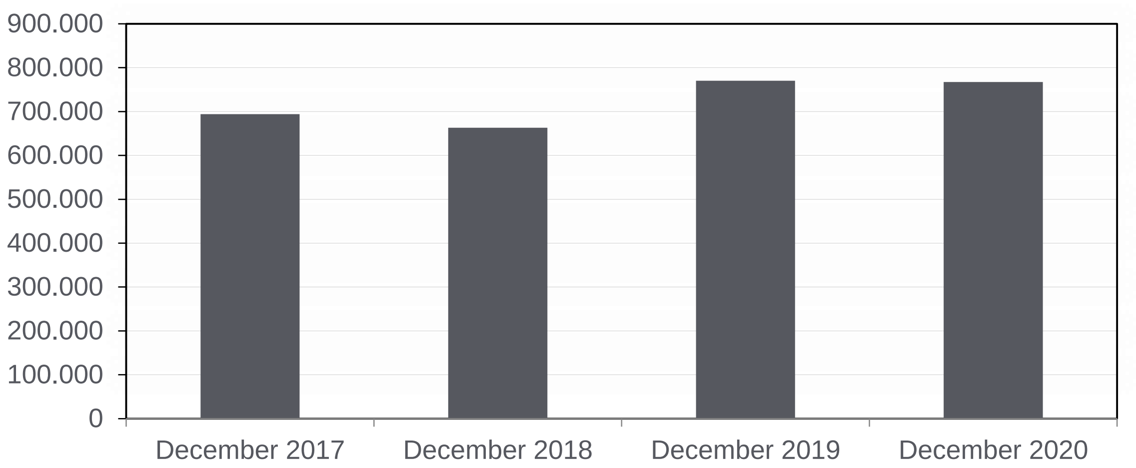
Indirect deposits



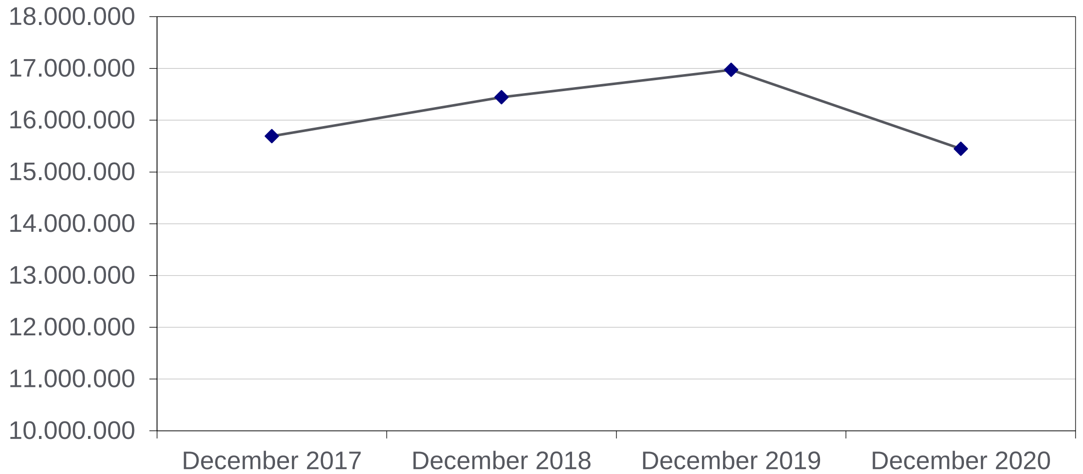

Trusteeship
2.100.000
1.950.000
1.800.000
1.650.000
1.500.000
1.350.000
1.200.000
1.050.000
900.000
750.000
600.000
450.000
300.000
150.000
0
December 2017
December 2018
December 2019
December 2020


Real Estate Funds
8.000.000
7.000.000
6.000.000
5.000.000
4.000.000
3.000.000
2.000.000
1.000.000
0
December 2017
December 2018
December 2019
December 2020

Luxembourg-based Sicav fund administration



Total Group's deposits



Group operations

For comments on the performance of investee company operations, readers are invited to refer to the Report on parent operations in the parent report of Banca Finnat Euramerica S.p.A., which is included in this report.
Pursuant to Consob communication no. 98084143 of 27 October 1998, it should be noted that the Group principally operates in Italy and in any event does not have operations in locations that are considered to be risk areas.
Transactions regarding securities and equity investments are illustrated and examined in detail in the Notes to the Financial Statements.

The main transactions and events in the year

For comments on the most significant transactions and events of the 2020 financial year, please refer to the Report on Operations in the separate financial statements of Banca Finnat Euramerica S.p.A., which is included in this document.
The comments on the pandemic situation underway highlight, among other things, the actions that the Bank and the other Group companies have taken and intend to take to address the short and medium-term uncertainty arising as a result of COVID-19.
It is also reiterated that the Bank and the other Group companies have never made changes to their business models in response to the pandemic.

Comparison of key statement of financial position and income statement figures of the 2020 and 2019 financial years

We present to you below, in summary form, the main data of the financial statements at 31 December 2020, compared with the corresponding data in 2019.

The tables reflect the minimum mandatory layout provided for in Circular 262/2005 issued by the Bank of Italy (update 6).

STATEMENT OF FINANCIAL POSITION (thousands of euros)

	31/12/2020	31/12/2019	Absolute change
ASSETS			
Cash and cash equivalents	711	699	12
Financial assets at fair value through profit or loss:	27,867	79,537	(51,670)
a) financial assets held for trading	6,847	57,696	(50,849)
c) other financial assets mandatorily measured at fair value	21,020	21,841	(821)
Financial assets at fair value through other comprehensive income	341,825	366,666	(24,841)
Financial assets at amortised cost	1,378,338	1,548,092	(169,754)
a) loans and receivables with banks	124,563	92,968	31,595
b) loans and receivables with customers	1,253,775	1,455,124	(201,349)
Equity investments	10,694	11,173	(479)
Property, equipment and investment property	17,899	20,588	(2,689)
Intangible assets	31,170	31,296	(126)
Tax assets	10,319	14,131	(3,812)
Other assets	23,310	24,970	(1,660)
TOTAL ASSETS	1,842,133	2,097,152	(255,019)
LIABILITIES AND EQUITY			
Financial liabilities at amortised cost	1,552,963	1,815,357	(262,394)
a) due to banks	157	369	(212)
b) due to customers	1,552,806	1,790,075	(237,269)
c) securities issued	-	24,913	(24,913)
Financial liabilities held for trading	40	152	(112)
Tax liabilities	1,706	818	888
Other liabilities	18,804	18,858	(54)
Post-employment benefits	5,605	5,920	(315)
Provisions for risks and charges	313	102	211
a) commitments and guarantees given	246	102	144
c) other provisions for risks and charges	67	-	67
Non-controlling interests	40,438	40,811	(373)
Owners of the parent	222,264	215,134	7,130
TOTAL LIABILITIES AND EQUITY	1,842,133	2,097,152	(255,019)

INCOME STATEMENT(in thousands of euros)

	2020	2019	Change Absolute	Change Percentage
Net interest income	16,158	16,286	(128)	-1%
Net fee and commission income	49,444	52,982	(3,538)	-7%
Dividends and similar income	1,792	3,013	(1,221)	
Net trading expense	(253)	(1,737)	1,484	
Net gain from disposal or repurchase of:	1,448	706	742	
a) financial assets at amortised cost	278	464	(186)	
b) financial assets at fair value through other comprehensive income	1,170	242	928	
Net losses on other financial assets and liabilities at fair value through profit or loss:	(399)	(926)	527	
b) other financial assets mandatorily measured at fair value	(399)	(926)	527	
Total income	68,190	70,324	(2,134)	-3%
Net impairment losses for credit risk associated with:	(5,162)	(12,016)	6,854	
a) financial assets at amortised cost	(5,561)	(12,167)	6,606	
b) financial assets at fair value through other comprehensive income	399	151	248	
Net modification gains (losses)	(185)	7	(192)	
Net financial income	62,843	58,315	4,528	8%
Personnel expenses	(36,025)	(36,227)	202	
Other administrative expenses	(16,165)	(17,773)	1,608	
Net reversals of (accruals to) provision for risks and charges	(211)	682	(893)	
Depreciation and net impairment losses on property, equipment and investment property/Amortisation and net impairment losses on intangible assets	(3,668)	(3,656)	(12)	
Other operating income, net	4,990	5,430	(440)	
Operating costs	(51,079)	(51,544)	465	-1%
Net loss on equity investments	(199)	(175)	(24)	14%
Profit from continuing operations before taxes	11,565	6,596	4,969	75%
Income taxes	(3,787)	(3,094)	(693)	
Profit from continuing operations after taxes	7,778	3,502	4,276	122%
Profit for the year attributable to non-controlling interests	2,687	3,068	(381)	
Profit for the year attributable to the owner of the parent	5,091	434	4,657	1073%

Following are a series of Group operating ratios at 31 December 2020 compared with the operating ratios of the previous year.

	2020 (%)	2019 (%)
Net interest income/Total income	23.70	23.16
Net fee and commission income/ Total income	72.51	75.34
Cost/income ratio (operating costs/ Total income)	74.91	73.30
ROE (profit for the year/equity)	2.29	0.20
ROA (profit for the year/total assets)	0.28	0.02

Significant events occurring after the end of the financial year

In the period spanning the end of the 2020 financial year and the date on which these financial statements were prepared, no significant events or factors that could affect the financial and equity position or results of operations of the Group emerged.

However, it should be noted that on 8 March 2021 Covivio 7 S.p.A. (formerly Beni Stabili Siiq) - a 17.89% shareholder of InvestiRE SGR - sold its entire stake (equal to 2,643 shares) to Banca Finnat; at the same time, the Bank sold 8.9% (equal to 1,315) of the shares purchased to E.N.P.A.F. (National Insurance and Assistance Agency for Pharmacists).

This transaction allowed the entry into the InvestiRE capital of ENPAF which, as a historical shareholder of the SGR, will be able to contribute to the strategic development of InvestiRE. Upon completion of the transaction, the Bank increased its stake in InvestiRE Immobiliare SGR from 50.16% to 59.15%.

The details of the transactions are illustrated in the "Information document relating to transactions of greater importance with related parties" published on the Bank's website *www.bancafinnat.it*, in the section Investor Relations/Corporate Governance/Information document on transactions with associated parties and attachments.

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As regards the health emergency situation deriving from the COVID-19 pandemic, it should be noted that in the first few days of January 2021 there was a general deterioration of the epidemiological situation in the country. The national transmission index (Rt) increased with peaks, in some regions, greater than 1.25. In this context, on 14 January the Council of Ministers with Law Decree no. 2 extended the state of emergency linked to the COVID-19 pandemic expiring on 31 January to 30 April 2021; on the same date, the Government also issued a new Prime Ministerial Decree with anti-contagion measures in force from 16 January to 5 March 2021. The new Prime Ministerial Decree sets limits on travel between regions and confirms the division of the country into red, orange and yellow regions, based on the contagion indexes, confirming all the measures already in place and expiring at the end of January. In order to manage and reduce the spread of the pandemic in the first few days of January, the first phase of the vaccination campaign began throughout the country. The goal of the population vaccination campaign is to limit the infection and achieve herd immunity as soon as possible. The campaign, started on 27 December 2020 ("vaccine day") after the approval by the EMA (European Medicines Agency) of the first COVID vaccine, continued following the directives indicated in the National Vaccination Plan drawn up by the Ministry of Health. On 2 March the Government issued a new Prime Ministerial Decree that dictated new rules and confirmed the previous ones in force from 6 March to 6 April. The restrictive measures enacted included the closure of all schools of all levels in the red areas.

The Bank and the other Group companies continue to tackle the pandemic emergency in line with the new government measures issued at national and local level aimed at combating and containing the spread of the virus.

In this context, the Bank and the other Group companies have further strengthened health facilities and increased the number of smart working employees, extending this working method also to business structures.

The Bank's Coronavirus Emergency Committee monitors the ongoing development of the pandemic at the national level in order to provide guidance on how to deal with any potential outbreaks.

It should be noted that, despite the great emergency situation described above, all Group companies ensured and ensure business continuity vis-à-vis counterparties and the market, always ensuring the maximum efficiency of the service offered to customers both in branch and through remote channels.

Related party transactions

The Bank complies with the Regulations for Related Party Transactions, approved by the Board of Directors on 2 August 2013 to define responsibilities and rules governing the identification, approval and implementation of related party transactions carried out by the Bank or by companies of the Banca Finnat banking group, in accordance with Article

2391-bis of the Italian Civil Code, the Consob Regulation adopted with Resolution no. 17221 of 12 March 2010 and Title V, Chapter 5 of the Bank of Italy's Circular no. 263 introducing "New Prudential Supervision Provisions for Banks", respectively.

The Bank has completed transactions both with subsidiaries and related parties, ordinary transactions of lesser significance and transactions for a small amount and under market conditions which have not significantly impacted the company's financial position or results of operations.

The Bank did not carry out any transactions with related parties or subjects other than related parties considered to be of an "atypical or unusual" nature, and which, due to their magnitude/relevance might have cast doubts on the safeguarding of the company's assets and the protection of minority shareholders' rights.

Information required under IAS 24 is shown in part H of the Notes to the Financial Statements.

Option for the domestic consolidated tax system

The Bank and its Italian-based subsidiaries have joined the "domestic consolidated tax system", pursuant to Article 117/129 of the TUIR (Consolidated Income Tax Act). The option was renewed in June 2019 for the 2019/2021 period.

By virtue of this option, the Group companies determine their proportion of the taxes payable and the corresponding tax income (taxable income or tax loss) is transferred to the Parent Company, relating to which a single taxable income or loss is reported (resulting from the arithmetical sum of its own and its participating subsidiaries' incomes/losses) and, consequently, a single income tax debit/credit is determined.

Market disclosure information

Regarding market disclosure, the Group declares that:

- with reference to the request formulated by Bank of Italy with its communication of 17 June 2008, the Bank, at 31 December 2020, was not exposed to and/or did not hold an interest, either directly or through vehicle companies or other non-consolidated entities, in financial instruments or UCIs characterised by high-risk investments, such as: - SPE (Special Purpose Entities) - CDO (Collateralised Debt Obligations) - Other exposures vis-à-vis subprime and Alt-A - CMBS (Commercial Mortgage-Backed Securities) - Leveraged Finance;
- the Board of Directors of Banca Finnat Euramerica S.p.A., pursuant to Consob Resolution no. 18079 of 20 January 2012, decided, on 21 January 2013, to comply with the simplification system set forth in Articles 70 (paragraph 8) and 71 (paragraph 1-bis) of the Regulation adopted by Consob with Resolution no. 11971 of 14 May 1999 as amended and supplemented, by making use of the right, of listed companies, to depart from the obligation to submit the information documents required by Annex 3B of the Consob Regulation relating to future significant extraordinary operations such as mergers, demergers, capital increase by non-cash contributions, acquisitions and sales;
- with reference to the requests contained in joint Document no. 2 dated 6 February 2009 by the Bank of Italy, Consob and Isvap and in their subsequent Document no. 4 dated 4 March 2010 and the provisions of paragraphs 15 and 25 of IAS 1, regarding disclosures to be made with respect to going concern assumptions, please refer to the commentary provided in Part A, Section 2 - General financial reporting principles and Part E - Information on Risks and Related Hedging Policies of the Notes to the Financial Statements;
- the Bank, within the prescribed deadline of 1 February 2018, exercised the option for the application of the transitional rules prescribed by the Regulation (EU) 2017/2395, amending "Regulation (EU) no. 575/2013 as

regards transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds and for the large exposures treatment of certain public sector exposures denominated in the domestic currency of any Member State". The aforesaid transitional rules provide the possibility of including in Common Equity Tier 1 capital a transitional positive component, calculated in percentage terms, of the increase undergone by the allocations for expected losses on receivables by effect of the first adoption of IFRS 9. This benefit is recognised for a period of 5 years according to decreasing rates (95% in 2018, 85% in 2019, 70% in 2020, 50% in 2021, 25% in 2022). From 1 January 2023 onwards, the impact deriving from the first-time adoption of IFRS 9 will be fully reflected in the calculation of own funds. In addition to the possibility of delaying the impact deriving from the first-time adoption of the new accounting standard to 1 January 2018, the transitional arrangements provide the possibility of delaying any impacts of the new impairment model also in the first years following the date of first-time adoption of IFRS 9 albeit limited to those deriving from the measurement of performing financial assets. On 28/4/2020, the EU, with Regulation 2020/0066 issued to combat the effects of Covid-19, supplemented the above-mentioned transitional provisions, extending their applicability from 2022 to 2024 (again with progressively decreasing percentages) for the new provisions recognised in 2020 and in 2021 against performing financial assets.

Public disclosure by state

Data at 31 December 2020
in accordance with Art. 89 of Directive 2013/36/EU of the European Parliament and of the Council (CRD IV)

Name	Geographical location	Nature of the activity	Turnover (in thousands of euros)	Average number of employees	Pre-tax profit/loss (in thousands of euros)	Taxes on profit or loss (in thousands of euros)
Parent Company						
Banca Finnat Euramerica S.p.A.	Italy	Banking	44,230	189	6,774	(1,193)
Direct subsidiaries						
Finnat Fiduciaria S.p.A.	Italy	Trusteeship	1,639	11	154	(61)
InvestiRE SGR S.p.A.	Italy	Promotion and management of closed-ended real estate funds	24,217	137	7,590	(2,376)
Natam Management Company S.A.	Luxembourg	Collective asset management	937	4	143	(41)
Finnat Gestioni SA	Switzerland	Financial management and consultancy services	808	1	560	(116)

Capital adequacy, prudential ratios and risk management disclosure

Information about the Group's capital adequacy and risk management are illustrated at length in the Notes to the financial statements, respectively in Part F - Information on Consolidated Shareholders' Equity and in Part E - Risk Information and Related Hedging Policies.

Consolidated own funds and capital ratios

The consolidated Regulatory Capital is determined based on the harmonised regulations for Banks and the Investment companies contained in the Regulation ("CRR") and in the EU Directive ("CRD IV") of 26 June 2013 that transfer to the European Union the standards defined by the Basel Committee on Banking Supervision (known as Basel 3).
In order to enact the regulations, the Bank of Italy issued, on 17 December 2013, Circular no. 285 "Prudential Supervision Provisions for Banks".

Own funds at 31 December 2020 amounted to 184,465 thousand euros (180,362 thousand euros at 31 December 2019), whereas the Total capital ratio, CET1 capital ratio and Tier1 ratio stood at 34.9% (31.6% at 31 December 2019). The Bank exercised the option to apply the transitional provisions for the deferment over time of the impacts of the application of the new accounting standard on own funds - illustrated in the section "Market disclosure information". Without this application, Own funds would have been equal to 182,775 thousand euros, while the Total capital ratio, the CET1 capital ratio and the Tier1 ratio would have been equal to 34.7%.

These indices widely exceed minimum capital requirements at consolidated level mandated for us by the Bank of Italy at the conclusion of the supervisory review and evaluation process (SREP) established by Directive 2013/36/EU (CRD IV).

Research & Development

For research and development activities, readers should refer to the comments contained in the report on operations attached to the separate financial statements of the Parent Company.

Exposure to debt securities and sovereign debt financing

With its "Communication on information to be provided in financial report with regard to exposures held by listed companies in sovereign debt securities", no. DEM/11070007 of 5 August 2011, Consob references the application of document no. 2011/266 of 28 July 2011 of the European Securities and Markets Authority (ESMA) relating to the information about sovereign debt to be included in the annual and semi-annual financial reports prepared by listed companies that adopt the IAS/IFRS international accounting standards.

As indicated in the ESMA document, "sovereign debt" means bonds issued by central and local governments and by government agencies as well as loans issued to the them. The following tables highlight in more detail the exposure in debt securities by their accounting portfolio, maturity bracket and fair value hierarchy.

The following tables show, distinguished by individual country, the book value of exposures to sovereign credit risk.

Breakdown of sovereign debt securities portfolio - by issuer country (in thousands of euros)	31/12/2020
EU Countries	
- Italy	1,145,411

Breakdown of sovereign debt securities portfolio - by portfolio and by maturity (in thousands of euros)

	maturity in 2021	maturity in 2022	maturity in 2023	maturity in 2024	maturity in 2025	maturity in 2026	maturity beyond 2026	Total	Level 1
Financial assets at fair value through profit or loss: a) Financial assets held for trading									
- Italy	-	1	1	-	-	-	2	4	4
Financial assets at fair value through other comprehensive income									
- Italy	125,253	-	10,086	49,398	40,884	60,980	-	286,601	286,601
Financial assets at amortised cost									
- Italy	698,810	159,996	-	-	-	-	-	858,806	858,806
Total	824,063	159,997	10,087	49,398	40,884	60,980	2	1,145,411	1,145,411

With reference to Italian Government bonds, the Group conducts periodic stress tests that assume the increase of the Credit Spreads, assessing its effects.
From the analyses carried out, no significant impacts were observed on the Group's soundness. In fact, in case of stress, the CET1 Ratio would still be significantly higher levels than the limits prescribed by the SREP decision for 2020.

Business outlook

The forecasts for the year 2021, drawn up at the beginning of the year by the Bank and the other Group Companies, were prepared taking into account the persistence of the COVID-19 epidemiological emergency situation but also the benefits deriving from the economic policy measures adopted at national and international level and a consequent resolution of the crisis generated by the pandemic starting from the end of the current year. The expected results allow us to confirm the current levels of profitability and capitalisation of the Group also for 2021.

Equity of the Group

The equity of the Group at 31 December 2020, including the profit for the year, totalled 222,264 thousand euros and changed as follows:

Trend in Group Equity
(in thousands of euros)

Equity at 31 December 2019	215,134
Dividend distribution	-
Change in valuation reserves	2,030
Changes in other reserves	9
Changes for sale of treasury shares	-
Profit (loss) for the period	5,091
Equity at 31 December 2020	222,264

Reconciliation between the Parent Company's and the Group's shareholders' equity and results
(in thousands of euros)

	Shareholders' equity	of which: profit (loss) for the period
Balances as per the Parent Company's financial statements at 31 December 2020	247,168	5,581
Results of investee companies as per the statutory financial statements:		
- fully consolidated companies	3,077	3,077
- valued by equity method	-	(20)
Positive differences from consolidation:		
- previous years	(2,677)	
Surplus over the book value related to:		
- fully consolidated companies	28,692	
Elimination of dividends		(3,548)
Other consolidation adjustments:	(53,996)	1
Balance resulting from the consolidated financial statements of the Group at 31 December 2020	222,264	5,091

Treasury shares

At 31 December 2020, 28,810,640 treasury shares were held exclusively by the Parent Company. These shares totalling 14,059 thousand euros, equal to 7.9% of the share capital of the Bank, in application of IAS 32, were used to adjust the shareholders' equity. In the year in question, the Bank did not buy or sell any treasury shares.

Rome, 19 March 2021

STATEMENT OF FINANCIAL POSITION
(in thousands of euros)

	Assets	31/12/2020	31/12/2019
10.	Cash and cash equivalents	711	699
20.	Financial assets at fair value through profit or loss	27,867	79,537
	a) financial assets held for trading	6,847	57,696
	c) other financial assets mandatorily measured at fair value	21,020	21,841
30.	Financial assets at fair value through other comprehensive income	341,825	366,666
40.	Financial assets at amortised cost	1,378,338	1,548,092
	a) loans and receivables with banks	124,563	92,968
	b) loans and receivables with customers	1,253,775	1,455,124
70.	Equity investments	10,694	11,173
90.	Property, equipment and investment property	17,899	20,588
100.	Intangible assets	31,170	31,296
	of which:		
	- goodwill	28,129	28,129
110.	Tax assets	10,319	14,131
	a) current	809	3,483
	b) deferred	9,510	10,648
130.	Other assets	23,310	24,970
	Total assets	1,842,133	2,097,152

STATEMENT OF FINANCIAL POSITION
(in thousands of euros)

	Liabilities and equity	31/12/2020	31/12/2019
10.	Financial liabilities at amortised cost	1,552,963	1,815,357
	a) due to banks	157	369
	b) due to customers	1,552,806	1,790,075
	c) securities issued	-	24,913
20.	Financial liabilities held for trading	40	152
60.	Tax liabilities	1,706	818
	a) current	487	136
	b) deferred	1,219	682
80.	Other liabilities	18,804	18,858
90.	Post-employment benefits	5,605	5,920
100.	Provisions for risks and charges:	313	102
	a) commitments and guarantees given	246	102
	c) other provisions for risks and charges	67	0
120.	Valuation reserves	7,627	5,597
150	Reserves	151,029	150,586
170.	Share capital	72,576	72,576
180.	Treasury shares (-)	(14,059)	(14,059)
190.	Non-controlling interests (+/-)	40,438	40,811
200.	Profit for the year (+/-)	5,091	434
	Total liabilities and equity	1,842,133	2,097,152

INCOME STATEMENT
(in thousands of euros)

	Items	2020	2019
10.	Interest and similar income	18,428	18,742
	of which: interest calculated using the effective interest method	14,902	15,890
20.	Interest and similar expense	(2,270)	(2,456)
30.	Net interest income	16,158	16,286
40.	Fee and commission income	51,971	54,954
50.	Fee and commission expense	(2,527)	(1,972)
60.	Net fee and commission income	49,444	52,982
70.	Dividends and similar income	1,792	3,013
80.	Net trading expense	(253)	(1,737)
100.	Net gain from disposal or repurchase of:	1,448	706
	a) financial assets at amortised cost	278	464
	b) financial assets at fair value through other comprehensive income	1,170	242
110.	Net losses on other financial assets and liabilities at fair value through profit or loss	(399)	(926)
	b) other financial assets mandatorily measured at fair value	(399)	(926)
120.	Total income	68,190	70,324
130.	Net impairment losses for credit risk associated with:	(5,162)	(12,016)
	a) financial assets at amortised cost	(5,561)	(12,167)
	b) financial assets at fair value through other comprehensive income	399	151
140.	Net modification gains (losses)	(185)	7
150.	Net financial income	62,843	58,315
190.	Administrative expenses:	(52,190)	(54,000)
	a) personnel expenses	(36,025)	(36,227)
	b) other administrative expenses	(16,165)	(17,773)
200.	Net reversals of (accruals to) provisions for risks and charges:	(211)	682
	a) commitments and guarantees given	(144)	-
	b) other	(67)	682
210.	Depreciation and net impairment losses on property, equipment and investment property	(3,423)	(3,445)
220.	Amortisation and net impairment losses on intangible assets	(245)	(211)
230.	Other operating income, net	4,990	5,430
240.	Operating costs	(51,079)	(51,544)
250.	Net loss on equity investments	(199)	(175)
290.	Profit from continuing operations before taxes	11,565	6,596
300.	Income taxes	(3,787)	(3,094)
310.	Profit from continuing operations after taxes	7,778	3,502
330.	Profit for the year	7,778	3,502
340.	Profit for the year attributable to non-controlling interests	2,687	3,068
350.	Profit for the year attributable to the owner of the parent	5,091	434

STATEMENT OF COMPREHENSIVE INCOME
(in thousands of euros)

		2020	2019
10.	Profit for the year	7,778	3,502
	Other comprehensive income after taxes that will not be reclassified to profit or loss		
20.	Equity instruments at fair value through other comprehensive income	906	1,196
70.	Defined benefit plans	110	(346)
90.	Share of valuation reserves of equity-accounted investments	20	78
	Other comprehensive income after taxes that will be reclassified to profit or loss		
140.	Financial assets (other than equity instruments) at fair value through other comprehensive income	1,033	8,126
170.	Total other comprehensive income after tax	2,069	9,054
180.	Comprehensive income (Items 10+170)	9,847	12,556
190.	Comprehensive income attributable to non-controlling interests	2,726	2,934
200.	Comprehensive income attributable to the owners of the parent	7,121	9,622

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020
(in thousands of euros)

				Allocation of previous year profit		Changes during the year									Equity at 31/12/2020		
						Changes in reserves	Equity transactions							Comprehensive income for 2020			
	Balances at 31/12/2019	Change in opening balances	Balances at 01/01/2020	Reserves	Dividends and other allocations		New share issue	Repurchase of treasury shares	Extraordinary dividend distribution	Change in equityl instruments	Derivatives on treasury shares	Stock options	Changes in equity investments		**Total**	**Owners of the parent**	**Non-controlling interests**
Share capital:	72,576	-	72,576	-	-	-	-	-	-	-	-	-	-	-	72,576	72,576	-
a) ordinary shares	72,576	-	72,576	-	-	-	-	-	-	-	-	-	-	-	72,576	72,576	-
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserves:	188,583	-	188,583	3,502	-	(3,090)	-	-	-	-	-	-	-	-	188,995	151,029	37,966
a) income-related	127,154	-	127,154	3,845	-	(3,099)	-	-	-	-	-	-	-	-	127,900	117,816	10,084
b) other	61,429	-	61,429	(343)	-	9	-	-	-	-	-	-	-	-	61,095	33,213	27,882
Valuation reserve	5,343	-	5,343	-	-	-	-	-	-	-	-	-	-	2,069	7,412	7,627	(215)
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	(14,059)	-	(14,059)	-	-	-	-	-	-	-	-	-	-	-	(14,059)	(14,059)	-
Profit for the year	3,502	-	3,502	(3,502)	-	-	-	-	-	-	-	-	-	7,778	7,778	5,091	2,687
Equity	255,945	-	255,945	-	-	(3,090)	-	-	-	-	-	-	-	9,847	262,702	222,264	40,438
of which: attributable to the owners of the parent	215,134	-	215,134	-	-	9	-	-	-	-	-	-	-	7,121	222,264		
of which: attributable to non-controlling interests	40,811	-	40,811	-	-	(3,099)	-	-	-	-	-	-	-	2,726	40,438		

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019
(in thousands of euros)

				Allocation of previous year profit		Changes during the year									Equity at 31/12/2019		
						Changes in reserves	Equity transactions							Comprehensive income for 2019			
	Balances at 31/12/2018	Change in opening balances	Balances at 01/01/2019	Reserves	Dividends and other allocations		New share issue	Repurchase of treasury shares	Extraordinary dividend distribution	Change in equity instruments	Derivatives on treasury shares	Stock options	Changes in equity investments		**Total**	**Owners of the parent**	**Non-controlling interests**
Share capital:	72,576	-	72,576	-	-	-	-	-	-	-	-	-	-	-	72,576	72,576	-
a) ordinary shares	72,576	-	72,576	-	-	-	-	-	-	-	-	-	-	-	72,576	72,576	-
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserves:	186,707	-	186,707	4,684	-	(2,808)	-	-	-	-	-	-	-	-	188,583	150,586	37,997
a) income-related	124,545	-	124,545	5,439	-	(2,830)	-	-	-	-	-	-	-	-	127,154	117,039	10,115
b) other	62,162	-	62,162	(755)	-	22	-	-	-	-	-	-	-	-	61,429	33,547	27,882
Valuation reserve	(3,711)	-	(3,711)	-	-	-	-	-	-	-	-	-	-	9,054	5,343	5,597	(254)
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	(14,059)	-	(14,059)	-	-	-	-	-	-	-	-	-	-	-	(14,059)	(14,059)	-
Profit for the year	8,313	-	8,313	(4,684)	(3,629)	-	-	-	-	-	-	-	-	3,502	3,502	434	3,068
Equity	249,826	-	249,826	-	(3,629)	(2,808)	-	-	-	-	-	-	-	12,556	255,945	215,134	40,811
of which: attributable to the owners of the parent	209,138	-	209,138	-	(3,629)	3	-	-	-	-	-	-	-	9,622	215,134		
of which: attributable to non-controlling interests	40,688	-	40,688	-	-	(2,811)	-	-	-	-	-	-	-	2,934	40,811		

STATEMENT OF CASH FLOWS (indirect method)
(in thousands of euros)

	Amount	
	2020	**2019**
A. OPERATING ACTIVITIES		
1. Operations	20,462	30,804
- profit for the year (+/-)	5,091	434
Net losses on financial assets held for trading and on other financial assets and liabilities at fair value through profit or loss (-/+)	222	2,029
- gains/losses on hedging transactions (-/+)	-	-
- net impairment losses for credit risk (+/-)	5,162	12,016
- - amortisation, depreciation and net impairment losses on property, equipment and investment property and intangible assets (+/-)	3,723	2,627
- net accruals to provisions for risks and charges and other costs/revenue (+/-)	1,762	904
- net premiums not received (-)	-	-
- other insurance income/expenses not received/paid (-/+)	-	-
- taxes, duties and tax credits not liquidated (+/-)	(3,787)	(3,094)
- net impairment losses/reversals of impairment losses on non-current assets held for sale and disposal groups net of tax effect (+/-)	-	-
- other adjustments (+/-)	8,289	15,888
2. Cash generated by/used for financial assets	244,425	(176,300)
- financial assets held for trading	51,025	(21,305)
- financial assets at fair value	-	-
- other financial assets mandatorily measured at fair value	422	9,231
- financial assets at fair value through other comprehensive income	27,178	(67,850)
- financial assets at amortised cost	164,193	(96,146)
- other assets	1,607	(230)
3. Cash generated by/used for financial liabilities	(264,988)	152,521
- financial liabilities at amortised cost	(263,027)	155,397
- financial liabilities held for trading	(112)	(171)
- financial liabilities designated at fair value	-	-
- other liabilities	(1,849)	(2,705)
Net cash flows generated by/used in operating activities	(101)	7,025
B. INVESTING ACTIVITIES		
1. Cash generated by	333	19
- disposals of equity investments	333	-
- dividends received from equity investments	-	-
- disposals of property, equipment and investment property	-	19
- disposals of intangible assets	-	-
- disposals of subsidiaries and business units	-	-
2. Cash used for	(220)	(3,381)
- purchases of equity investments	-	(2,927)
- purchases of property, equipment and investment property	(101)	(321)
- purchases of intangible assets	(119)	(133)
- purchases of subsidiaries and business units	-	-
Net cash flows generated by/used in investing activities	113	(3,362)
C. FINANCING ACTIVITIES		
- issues/repurchases of treasury shares	-	-
- issues/purchases of equity instruments	-	-
- dividend and other distributions	-	(3,629)
- sale/purchase of subsidiaries' equity instruments	-	-
Net cash flows used in financing activities	-	(3,629)
NET CASH FLOWS FOR THE YEAR	12	34

Key:
(+) generated
(-) used

RECONCILIATION	**2020**	**2019**
FINANCIAL STATEMENT ITEMS		
Cash and cash equivalents at the beginning of the year	699	665
Total net cash flows for the year	12	34
Cash and cash equivalents: effect of exchange rate changes	-	-
Cash and cash equivalents at the end of the year	711	699

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF BANCA FINNAT GROUP

The sections of the notes to the financial statements applicable to the Group are shown below.

Part A - Accounting policies

A.1 - General information

Section 1 - Statement of compliance with international accounting standards

The consolidated financial statements at 31 December 2020 of the Banca Finnat Euramerica Group have been prepared applying the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS), as amended by the International Accounting Standards Board (IASB) and approved by the European Commission, in force at 31 December 2020, in accordance with the procedures laid down in Regulation (EC) no. 1606/02.
The international accounting standards have been applied taking into account, where necessary, the "Framework for the Preparation and Presentation of Financial Statements" (the Framework).
For further guidance on the application of the new accounting standards, the Company has also referred to the interpretations provided by the International Financial Reporting Interpretations Committee (IFRIC), as well as the documents issued to support the introduction of the IAS/IFRS in Italy by the Organismo Italiano di Contabilità (OIC) - the Italian Accounting Board - and the documents produced by the Italian Bankers' Association (ABI).
If no standard or applicable interpretation applied specifically to a transaction, other event or condition, reference was made to the provisions and guidelines contained in the standards and interpretations dealing with similar and related issues, taking into account the Framework provisions.

Section 2 - General financial reporting principles

The Consolidated financial statements at 31 December 2020 were prepared in accordance with the provisions laid down by Circular no. 262 of 22 December 2005 "Banks' financial statements: layouts and preparation" - update 6 of 30 November 2018 - issued by the Bank of Italy.

In drafting the Financial Statements, account was taken of the additions to the provisions of the aforementioned Circular, communicated by the Bank of Italy with letter Prot. 1676157/20 of 16 December 2020, concerning the impacts of COVID-19 and the measures in support of the economy and amendments to IAS/IFRS. These additions are intended to provide the market with information on the effects that COVID-19 has produced on risk management strategies, objectives and policies, as well as on the Group's economic and equity situation.

Account was also taken of the interpretative and support documents for the application of the accounting standards in relation to the impacts of COVID-19, issued by the European regulatory and supervisory bodies and by standard setters, aimed at clarifying the methods of application of the IAS/IFRS in the current pandemic environment (ESMA Notices, EBA guidelines and letter from the ECB dated 4 December 2020).

The accounting standards applied to prepare these consolidated financial statements have remained unchanged with respect to those applied to prepare the Consolidated Financial Statements for 2019.

The Group Report are composed of the Statements of financial position, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and these Notes to the Consolidated Financial Statements.
They also comprise the Report on parent operations and situation of the Group.

The tables of the Statement of financial position, Income Statement and Statement of Comprehensive Income comprise items, sub-items and additional information on the items and sub-items. The items, sub-items and related details

constitute the financial accounts. All items with nil balances either for the current or for the previous financial year are not shown. Revenues in the Income Statement and Statement of Comprehensive Income are shown without any sign whilst costs are shown in brackets.
Comparative figures are shown for each account item of the Statement of financial position, Income Statement and Statement of Comprehensive Income.
Consistently with article 5 of Italian Legislative Decree no. 38 of 28 February 2005, the Consolidated financial statements were prepared using the euro as the presentation currency. Regarding the contents of the tables, all figures are expressed in thousands of euros, unless otherwise specified.
The Consolidated financial statements provide a true and fair view of the financial position, the result for the year and cash flows. The financial statements were also prepared, as specified above, on a going concern basis (IAS 1 paragraph 25), on an accrual basis (IAS 1 paragraphs 27 and 28), in compliance with the obligation to make adjustments to reflect the events subsequent to the reference date of the financial statements (IAS 10). The assets and liabilities, income and expenses have not been offset, except where required or allowed by a standard or interpretation (IAS 1 paragraph 32).
The cost of inventory and of the financial instruments was calculated using the weighted average daily cost method, (IAS 2, paragraph 25).

The Consolidated financial statements for the Banca Finnat Group will be audited by KPMG S.p.A.

As required by IAS 8, the Regulations (for amendments or issues of new standards) endorsed by the European Commission that apply from 1 January 2020 onwards are shown below:
- Regulation no. 2075/2019 - Amendments to IAS 8 Accounting policies, changes in accounting estimates and errors, IAS 34 Interim financial reporting, IAS 37 Provisions, contingent liabilities and contingent assets, IAS 38 Intangible assets, IFRS 3 Business combinations; IFRS 6 Exploration for and evaluation of mineral resources and the interpretations IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC 32.
- Regulation no. 551/2020 - Definition of a business (Amendments to IFRS 3 Business combinations).
- Regulation no. 1434/2020 - COVID-19-Related Rent (Amendments to IFRS 16 Leases).

In addition, the European Commission endorsed the following Regulation (through amendments or the promulgation of new standards) that will apply from 1 January 2021 onwards:
- Regulation no. 25/2021 - Interest Rate Benchmark Reform - phase 2 - (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).

Section 3 - Scope and methods of consolidation

Equity investments in exclusively controlled subsidiaries

Company names	Place of business	Registered office	Type of relationship (1)	Investment relationship		Voting rights % (2)
				Investor company	% stake	
1. InvestiRE SGR S.p.A.	Rome	Rome	1	Banca Finnat	50.16	50.16
2. Finnat Fiduciaria S.p.A.	Rome	Rome	1	Banca Finnat	100.00	100.00
3. Finnat Gestioni S.A.	Lugano	Lugano	1	Banca Finnat	70.00	70.00
4. Natam Management Company S.A.	Luxembourg	Luxembourg	1	Banca Finnat	100.00	100.00

Key:
(1) Type of relationship:
1 = majority of voting rights in the ordinary shareholders' meeting; 2 = dominant influence in the ordinary shareholders' meeting; 3 = agreements with other shareholders; 4 = other forms of control; 5 = unitary management pursuant to art. 39, paragraph 1, of the Legislative Decree. 136/2015; 6 = unitary management pursuant to art. 39, paragraph 2, of the Legislative Decree. 136/2015.
(2) Availability of votes in the ordinary shareholders' meeting, distinguishing between actual and potential.
The percentage of voting rights in the shareholders' meeting is effective.

2. Significant evaluations and assumptions to determine the scope of consolidation

The scope of consolidation includes:

- the financial statements of the Parent Company Banca Finnat Euramerica S.p.A. and of the subsidiaries, consolidated on a line-by-line basis;
- the financial statements of associated companies and joint ventures stated at equity, or the last financial report available at the time of preparation of the consolidated financial statements.

The scope of consolidation includes all subsidiary companies, regardless of their legal status, and of whether they are going concerns or being wound up.

The scope of consolidation has not changed compared to the financial statements for the year ended 31 December 2019.
However, it should be noted that the subsidiary InvestiRE SGR S.p.A. sold to third parties the 2.56% of the investment held in REDO SGR S.p.A. After this transaction, completed on 19 November 2020, and following the subsequent capital increase to which InvestiRE SGR S.p.A. did not take part in, the investment of InvestiRe in REDO went from 33.3% to 20%.

<u>*Subsidiaries*</u>

Subsidiaries are companies whose financial and operating policies are directly or indirectly determined and controlled by the Group to which they belong and which Group can, therefore, benefit from their activities.
When determining control, account should also be taken of the companies in which Banca Finnat directly or indirectly holds more than half of the voting rights. The voting rights also include the so-called "potential" rights, which can be consistently exercised or converted into effective voting rights at any time.
The financial statements of subsidiaries are consolidated from the date on which the parent company obtains control over the company until the date on which that control ceases.

Associated companies and joint ventures

Associated companies are entities whose financial and operating policies are significantly influenced by the Group, but which it does not control, either jointly or separately; they are included in the consolidation according to the equity method. As required by IAS 28, equity interests classified as joint ventures are also consolidated using the equity method.
The profit or losses of the Group are recorded in the consolidated Income Statement from the date on which the significant influence started and up to the date on which it ceases.
If the loss by the Group exceeds the book value of the equity investment then the value of the equity investment is derecognised and, if the investing company is committed to performing legal or implicit obligations of the investee company, or in any event to hedging its losses, any surplus is recognised in a specific liability fund.

Line-by-line consolidation

All the financial statements of the investee companies used to prepare the consolidated financial statements were drawn up at 31 December and, if necessary, adjusted to ensure the uniform application of the same accounting principles applied by the Parent Company.

The assets and liabilities, expenses and income of the companies consolidated according to the line-by-line method are fully recognised in the consolidated financial statements ("line-by-line" recognition of the statement of financial position and income statement aggregates of the subsidiaries), after the recording of any minority interests in specific items; the book value of the equity investments is written off for the corresponding fraction of the shareholders' equity of the part-owned companies, recording the single asset and liability items (including the provisions for risks and charges) at their current value on the date of acquisition of control. Any positive difference resulting from the said writing off is recorded as goodwill, under the asset item "Intangible assets", at the date of the first consolidation and, thereafter, among the shareholders' equity reserves. Any negative difference is recorded in the Income Statement.
All intra-group balances (assets, liabilities, revenues and costs) and transactions, including any unrealised profit or loss resulting from intra-group transactions, are written off minus their theoretical tax effect, if significant. The Group's share of unrealised profit and loss with associated companies is written off.
Unrealised losses are written off only if they represent impairment losses.
The presentation currency of the Group's financial statements is the Euro, which is also the functional currency of all the companies included in the consolidated Financial Statements.
Non-monetary assets and liabilities in foreign currencies, recorded at historical cost, are translated using the exchange rate at the date on which the transaction was originally recorded.
The financial statements of the consolidated companies expressed in foreign currencies were translated according to the exchange rate at the reporting date for the assets and liabilities; for the income statement items, the average exchange rates in the period were used, and the historical exchange rates for the shareholders' equity items. The differences between the values of the shareholders' equity items at the historical exchange rates and those descending and resulting from the translation thereof at the current exchange rates are recorded and, indeed, posted at the current exchange rates in the shareholders' equity item called "Other reserves".

Equity consolidation method

This method provides for the initial recording of the investee company at cost. The book value is then periodically adjusted to take into account changes in the investee company's shareholders' equity. The pro quota allocation of the net income of the investee company is recorded in a specific item of the consolidated Income Statement. The shareholders' equity of the associates is inferred from the latest available financial statements or from the latest financial report available at the time of preparation of the consolidated financial statements.

The difference - if any - between the book value and the recovery value of the equity investment, estimated based on the present value of the future cash flows generated by the investment itself, is recorded in the Income Statement.

3. Equity investments in exclusively controlled subsidiaries with significant minority interest

3.1 Minority interests, minority voting rights and distributed dividends

Company names	Minority interests %	Minority voting rights % (1)	Dividends distributed to minority shareholders
1. InvestiRE SGR S.p.A.	49.84%	49.84%	2,975

(1) Voting rights in ordinary shareholders' meetings

Company names	Total assets	Cash and cash equivalents	Financial assets	Property and equipment and intangible assets	Financial liabilities	Shareholders' equity	Interest margin	Net banking income
1. InvestiRE SGR S.p.A.	95,431	-	49,148	34,012	6,028	79,995	(95)	24,217

3.2 Equity investments with significant interests in third parties: financial information (continuation 2 of 2)

Company names	Operating costs	Profit (loss) from continuing operations before taxes	Profit (loss) from continuing operations after taxes	Income (loss) from discontinued operations after taxes	Profit (Loss) for the year (1)	Other income items after tax (2)	Comprehensive income (3) = (1) + (2)
1. InvestiRE SGR S.p.A.	(16,752)	7,590	5,214	-	5,214	77	5,291

Section 4 - Subsequent events

In the period spanning the end of the 2020 financial year and the date on which these financial statements were prepared, no significant events or factors that could affect the financial and equity position or results of operations of the Group emerged.

However, it should be noted that on 8 March 2021 Covivio 7 S.p.A. (formerly Beni Stabili Siiq) - a 17.89% shareholder of InvestiRE SGR - sold its entire stake (equal to 2,643 shares) to Banca Finnat; at the same time, the Bank sold 8.9% (equal to 1,315) of the shares purchased to E.N.P.A.F. (National Insurance and Assistance Agency for Pharmacists).
This transaction allowed the entry into the InvestiRE capital of ENPAF which, as a historical shareholder of the SGR, will be able to contribute to the strategic development of InvestiRE. Upon completion of the transaction, the Bank increased its stake in InvestiRE Immobiliare SGR from 50.16% to 59.15%.

The details of the transactions are illustrated in the "Information document relating to transactions of greater importance with related parties" published on the Bank's website *www.bancafinnat.it*, in the section Investor Relations/Corporate Governance/Information document on transactions with associated parties and attachments.

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As regards the health emergency situation deriving from the COVID-19 pandemic, it should be noted that in the first few days of January 2021 there was a general deterioration of the epidemiological situation in the country. The national transmission index (Rt) increased with peaks, in some regions, greater than 1.25. In this context, on 14 January the Council of Ministers with Law Decree no. 2 extended the state of emergency linked to the COVID-19 pandemic expiring on 31 January to 30 April 2021; on the same date, the government also issued a new Prime Ministerial Decree with anti-contagion measures in effect from 16 January to 5 March 2021. The new Prime Ministerial Decree sets limits on travel between regions and confirms the division of the country into red, orange and yellow regions, based on the contagion indexes, confirming all the measures already in place and expiring at the end of January. In order to manage and reduce the spread of the pandemic in the first few days of January, the first phase of the vaccination campaign began throughout the country. The goal of the population vaccination campaign is to limit the infection and achieve herd immunity as soon as possible. The campaign, started on 27 December 2020 ("vaccine day") after the approval by the EMA (European Medicines Agency) of the first COVID vaccine, continued following the directives indicated in the National Vaccination Plan drawn up by the Ministry of Health. On 2 March the Government issued a new Prime Ministerial Decree that dictated new rules and confirmed the previous ones in force from 6 March to 6 April. The restrictive measures enacted included the closure of all schools of all levels in the red areas.

The Bank and the other Group companies continue to tackle the pandemic emergency in line with the new government measures issued at national and local level aimed at combating and containing the spread of the virus.
In this context, the Bank and the other Group companies have further strengthened health facilities and increased the number of smart working employees, extending this working method also to business structures.
The Bank's Coronavirus Emergency Committee monitors the ongoing development of the pandemic at the national level in order to provide guidance on how to deal with any potential outbreaks.
It should be noted that, despite the great emergency situation described above, all Group companies ensured and ensure business continuity vis-à-vis counterparties and the market, always ensuring the maximum efficiency of the service offered to customers both in branch and through remote channels.

Section 5 - Other information

Risks, uncertainties and impacts of the COVID-19 epidemic

In compliance with Bank of Italy's communication dated 16 December 2020 "Additions to the provisions of circular no. 262/2005 concerning the impacts of COVID-19 and measures to support the economy and amendments to the IAS/IFRS" information is provided below on the effects that the COVID-19 epidemic has produced on the strategies, objectives and policies, as well as on the Group's economic and financial position.

Risks and uncertainties

In compliance with the IAS/IFRS standards, the Bank and the other Group companies carry out evaluations, estimates and assumptions in support of the application of the accounting standards and for the determination of the amounts of the assets, liabilities, costs and revenues reported in the consolidated financial statements, as well as the disclosure relating to contingent assets and liabilities.
The estimates and relevant assumptions are based on previous experience and on other factors considered reasonable in the case in question and were adopted to estimate the carrying amount of the assets and liabilities that cannot be easily inferred from other sources.
In particular, estimate processes were adopted in support of the book value of some of the most significant valuation items recognised in the financial statements at 31 December 2020, as set forth in the accounting standards and the reference regulations described above. These processes are based largely on estimates of future recoverability of the values booked to the financial statements according to the rules dictated by the regulations in force and were carried out on the basis of the going concern assumption, i.e. excluding the assumption of forced settlement of the items subject to valuation.
The processes adopted confirm the book values at 31 December 2020. The parameters and information used to verify the values mentioned earlier are therefore greatly influenced by the factors which could be subject to rapid changes that are currently not foreseeable, so that subsequent effects on future book values cannot be ruled out.
The estimates and assumptions are reviewed regularly. Any changes resulting from these revisions are booked in the period in which the revision is carried out, if the same concerns solely that period. In the event in which the revision concerns both current and future periods, the change is booked in the period in which the revision is carried out in the relative future periods.
The main cases where the use of subjective evaluations by Management are most requested are:

- the quantification of losses due to impairment of receivables and, in general, other financial assets and equity investments;
- the use of valuation models for the recognition of the fair value of the financial instruments not listed in active markets;
- the estimate and the assumptions of the recoverability of deferred tax assets;
- the estimate of the recoverable value of goodwill;
- the estimate of any provisions for risks and charges.

Business continuity

In accordance with the requirements jointly issued by Bank of Italy, Consob and Isvap document no. 2 of 6 February 2009 and paragraphs 25 and 26 of IAS 1, the Directors of the Bank, in the current COVID-19 epidemiological emergency, have taken into account with the utmost caution and attention - for the purpose of preparing these consolidated financial statements - a series of financial, management and other indicators, in order to identify the existence of any circumstance that may be relevant for assessing the compliance with the 'going concern' requirement.

As a result of the audits carried out in respect of the realisable value of the assets and in consideration of the reliability and results of the risk measurement systems, the Directors of the Bank are confident there is no evidence that could cast doubts in respect of the Group's going concern assumption, even when taking full account of the impacts of COVID-19. Given the size of the Group's assets, the substantial financial resources owned and the breakdown, quality and liquidity of the portfolio of financial assets, the Directors of the Bank have prepared these Consolidated financial statements in the full conviction that the Group meets the requirements of a going concern in the foreseeable future.

Methods of application of the IAS/IFRS accounting standards

In preparing these consolidated Financial Statements, the Bank and the other Group companies paid particular attention to compliance with accounting and prudential rules as well as the correct application of international accounting standards, also taking into account the aforementioned communication from the Bank of Italy. From the analysis performed - focusing in particular on IFRS 9 and IAS 36, IFRS 15 and IFRS 16, summarised below - no particularly critical issues were identified as concerns for the drafting of these financial statements.

IFRS 9 - Financial instruments IAS 36 - Impairment of assets

On the premise that the Bank and the other Group companies have never modified their business models, the following topics were analysed with particular reference to the following issues:

- Increase in credit risk.
  Taking into account the intervention of ESMA of 25 March and of the IFRS Foundation of 27 March, the Group did not consider the economic support measures put into place by the government to support borrowers in response to Covid-19 as measures that automatically trigger an SICR (significant increase in credit risk); instead, it evaluated any increase in credit risk using current and outlook reasonable and supportable information at the date on which these Financial Statements were drafted.
  It should also be highlighted that the moratoriums granted with respect to performing customers to handle the COVID-19 emergency, in line with the provisions of the guidelines issued by the European Banking Authority (EBA/GL/2020/02) on 2 April 2020, did not entail the classification of customer exposures as forborne performing exposures since the application of a general legislative moratorium, adopted as a specific response to the current economic situation caused by the Covid-19 pandemic, is not a forbearance measure and therefore should not be considered a restructuring as a result of financial difficulty. Furthermore, for those positions, the calculation of days past due was therefore suspended.

- Staging allocation.
  In order to prepare the consolidated Financial Statements at 31 December 2020, the Bank adopted a prudential approach while maintaining its policies unchanged with respect to the staging allocation, without adopting exceptions due to the extraordinary emergency situation and intended to mitigate the deterioration in exposure staging.

- Measurement of losses on loans.
  The update of the economic scenario developed for the purpose of determining the expected losses on financial assets took into account the recommendations provided by international bodies and by the supervisory authorities, in particular as regards the assessment of the impacts on the impairment model generated by the increase in the level of uncertainty due to the economic crisis triggered by the COVID-19 pandemic. The statistical model incorporated the downward revisions of growth, for the global economy as well as specifically for Italy. The increase - equal to approximately 700 thousand euros - in collective provisions on performing loans to customers, compared

to what would have been recorded by adopting the loss forecasts for the previous year, mainly derives from the persistence of the emergency situation and the difficulties associated to the resolution of the crisis, despite the benefits expected from the economic measures adopted at national and EU level.

- Fair value measurement.
  In the current context characterised by market uncertainty and volatility, there could be an increase in measurements classified as Level 3, through the use of non-observable inputs, due to the disappearance of prices quoted in active markets (Level 1) and/or observable inputs (Level 2). The movement within the fair value hierarchy could take place for various types of financial instruments. At 31 December 2020, there have been no significant changes in the fair value hierarchy and as regards the valuation of financial instruments classified in level 3, the Bank and the other Group companies has maintained the same criteria as those adopted in the 2019 financial statements.

- Asset impairment.

At 31 December 2020, the Bank has carried out a verification relative to possible value impairments on its assets also taking into account the crisis situation generated by COVID-19.
Pursuant to IAS 36, among other things, the Bank checked the recoverability of the book values of equity investments in associated companies measured at cost and, only for Imprebanca (owned by the Bank), recognised an impairment of 73 thousand euros.

As regards the Goodwill recognised in the financial statements of the subsidiary InvestiRE SGR, in order to decide whether it would be necessary to record an impairment loss to the goodwill, an impairment test was performed with the support of the internal specialists of the Parent Company, on the basis of the company's forecasts which take into account the effects of the COVID-19 pandemic.
The definitive updated parameters of the Group to be used as assumptions on which the impairment calculation is based are summarised in the document "Measurement methodologies and Impairment test", approved by the competent decision-making bodies of the Bank autonomously and in advance with respect to the time of approval of these financial statements.
At 31 December 2020, for the purposes of discounting the cash flows and the terminal value, a rate representing the weighted average cost of the capital invested in the Company (WACC) which, in this specific case, matches the cost of "Ke" capital, inasmuch as InvestiRE SGR S.p.A. is characterised by the current and expected absence of financial payables. The financial parameters used to calculate the WACC were defined on the basis of average market values, measured also by sample testing comparable entities; moreover, a period of explicit projection of 3 years was used, and thereafter, prudentially, no growth rates were applied: the prospective data used in the measurement at 31 December 2020 therefore refer to the 2021-2023 projections prepared by the Management of the SGR. The WACC thus determined is 5.60%.
The model for determining the equity value was lastly subjected to sensitivity analysis in order to appreciate the change of the results obtained as the adopted measurement parameters change. The analyses conducted did not bring to light any indications of impairment with reference to goodwill, not even based on a "stress test" approach, using a discount rate "Ke" (+/-50 bps).

As regards deferred tax assets in line with the instructions of ESMA, it has verified at Group level the recoverability of those assets recognised pursuant to IAS 12. On the basis of the assessments performed at 31 December 2020 with regard to the Group's economic and financial projections, it is deemed with reasonable certainty that the deferred tax assets recognised in the statement of financial position assets will be recovered in full.

Contractual changes resulting from COVID-19

1) Contractual changes and accounting derecognition

At 31 December 2020, the pandemic did not cause significant deterioration in the payment capacity of the Group's customers; to this end, the following were assessed:

- whether any price reductions granted may have led to a change in the contract;
- if any payment extensions granted to customers could generate a significant financial component.

The analysis performed did not show conditions for the revision of timing and methods for the recognition of revenues.

It should also be noted that during the year - following the measures put in place by the Government to support the economy to mitigate the pandemic effect - no significant contractual changes or accounting derecognitions were made for the Group's customers.

2) Amendment of accounting standard IFRS 16

As lessees, the Bank and other Group companies did not exercise any extension option set forth by IFRS 16 in the case of significant events or changes caused specifically by the decline in economic activity and the uncertainty of the macroeconomic scenario, nor did they rely on the provisions of the amendment "COVID-19 Related Rent Concessions" published by the IASB on 28 May 2020, which provides lessees with the option of accounting for payment reductions without needing to evaluate, by analysing the contracts, if the changes fall within the definition of lease modification set forth in IFRS 16.

Impact of the pandemic on the Group's strategies and results for the year

The Banca Finnat Group's business strategies have not changed as a result of the pandemic. All the Group companies ensured the business continuity vis-à-vis counterparties and the market, always ensuring the maximum efficiency of the service offered to customers both in branch and through remote channels. None of the Group's activities was interrupted, even temporarily, in particular as regards customer services.

Despite the economic crisis that significantly affected many productive sectors at national level, the Group's result relative to the 2020 financial year is substantially higher than the result for the previous year. The interest margin, in line with 2019, contributed significantly to the result for the year thanks also to the effective management of the portfolio on own account, which made it possible to realise even greater profits from the sale of financial assets measured at fair value than in the previous year. The low risk profile of proprietary financial investments made it possible not to suffer losses due to the high volatility that characterised the financial markets. Revenues from trading services also increased compared to 2019, by virtue of the increase in transactions on behalf of third parties already observed in the first half of the year, from fund placement services, financial advisory and portfolio management services, also thanks to the performance recorded as a result of the recovery of equity and fixed income markets (in particular government bonds) in the second half of the year after the significant contractions recorded in March. Thanks to the focus on customers, there were no significant divestments of products by private customers at any time of the year, nor were there any tensions regarding the liquidity of assets. In the private banking sector, there was an increase in quality funding, despite a slowdown in the hiring plan for new private consultants partly caused by the emergency situation.

The most significant impacts of the COVID-19 pandemic on the Group's result for the year 2020 mainly relate to higher provisions made against the increase in the credit risk of financial assets. Furthermore, with regard to operating income, a decline in revenues compared to the previous year is also observed for services for corporate and institutional

customers, which were most penalised by the economic crisis, also due to the reduction in placements in the stock market (particularly in the AIM market) as well as the discounts granted on advisory and corporate finance services and specialist services provided to corporate customers by the Bank. With respect to the real estate funds management sector, a reduction in development fees and variable fees was recorded, primarily linked to the shutdown of work sites and reduced marketing activities due to the crisis triggered by COVID-19. Revenues from trusteeship and from foreign companies were overall higher than the previous year.
The liquidity position has always remained solid thanks to the broad availability of liquid reserves. In particular, in the 2020 financial year, the regulatory indicators - Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) - were considerably above requirements. From a capital perspective, the Group's capital and asset quality make it possible to face the crisis in the near future with relative peace of mind.

Exemption from the preparation of the fourth interim financial report for 2020

With the implementation of the Directive on shareholders' rights (Italian Legislative Decree no. 27 of 27 January 2010), paragraph 1 of Article 154-ter was amended ("Financial Reports") of the Italian Consolidated Financial Law (the "TUF"). This amendment establishes that the annual Financial Report, comprising the draft statutory financial statements, the consolidated financial statements, if prepared, the report on operations and the certification of the appointed administrative bodies and the Manager in charge of preparing the accounting documents, must be published within 120 days of the company year end. The obligation to ensure publication within 120 days refers specifically to the "draft financial statements" approved by the administrative body and no longer to the "statutory financial statements" approved by the Shareholders' Meeting. As such, this amendment restores, for listed companies, the option to postpone approval of the financial statements within maximum terms of 180 days as established by Article 2364, paragraph 2 of the Italian Civil Code, which had been abolished by Directive 2004/109/EC (so called Transparency Directive). The decree also establishes that, as an exception to Art. 2429, paragraph 1 of the Italian Civil Code, the draft financial statements must be disclosed by the directors to the board of statutory auditors and to the independent auditing firm at least 15 days prior to publishing the draft.
With reference to companies belonging to the STAR segment, Borsa Italiana has established the publication - in addition to the reports concerning the first and third quarters, as required by paragraph 5 of Article 154-ter - also the interim report on operations with reference to the 4th quarter; it has also allowed to omit drafting said report if publication of the draft financial statements is brought forward to 90 days as from the end of the year of reference. The term of 90 days (previously set to 75 days prior to the amendments introduced with the implementation of the Directive as explained above) was established by Borsa Italiana with its notice no. 14924 of 8 October 2010 concerning the "Amendments made to the Market Regulation".
In view of the above, the Bank opted not to publish the 4th interim report on operations, by making the draft Separate and Consolidated Financial Statements at 31 December 2020, complete with the certification by the Manager in charge of preparing the accounting documents, that of the Board of Statutory Auditors and the Auditing Firm, available to shareholders and to the market within the term of 90 days from the end of the financial year.

A.2 - Information on the main financial statement items

The accounting standards adopted in preparing the consolidated Financial Statements at 31 December 2020 remained unchanged with respect to those adopted in the 2019 Financial Statements as concerns classification, measurement and de-recognition, and are reported below.

1. Financial assets at fair value through profit or loss (FVTPL)

Classification criteria

This category includes financial assets other than those recognised as Financial assets at fair value through other comprehensive income and Financial assets at amortised cost. In particular, the item includes:

- financial assets held for trading, mainly represented by debt securities, UCIs and equities and the positive value of derivative contracts held for trading (Other/Trading);
- other financial assets mandatorily measured at fair value, represented by financial assets that do not meet the requirements for measurement at amortised cost ("Hold to Collect") or at fair value through other comprehensive income ("Hold to Collect and Sell").

These are financial assets whose contractual terms do not exclusively envisage capital reimbursements and interest payments on the amount of capital to be repaid (known as "SPPI test" not passed) or that are not held within the framework of a business model whose objective is the possession of assets aimed at collecting contractual cash flows or within the framework of a business model whose objective is achieved both through the collection of contractual cash flows and through the sale of financial assets; capital instruments for which the Bank and the other Group companies do not exercise the irrevocable option for the measurement of these instruments at fair value through other comprehensive income are also included in this category.

- financial assets designated at fair value, i.e. financial assets thus defined at the time of initial recognition and where the requirements are met. In relation to this case, an entity may irrevocably designate a financial asset as at fair value through profit or loss at the time of recognition if, and only if, by doing so, it eliminates or significantly reduces a valuation inconsistency.

According to the general rules envisaged by IFRS 9 on the reclassification of financial assets (with the exception of equities, for which no reclassification is permitted), reclassifications to other categories of financial assets are not permitted unless the entity modifies its business model for the management of financial assets. In such cases, which are expected to be highly infrequent, financial assets may be reclassified from the category at fair value through profit or loss into one of the other two categories envisaged by IFRS 9 (Financial assets at amortised cost or Financial assets at fair value through other comprehensive income). The transfer value is the fair value at the time of reclassification and the effects of reclassification operate prospectively from the date of reclassification. In this case, the effective interest rate of the reclassified financial asset is determined on the basis of its fair value on the date of reclassification, and that date is considered as the date of initial recognition for the allocation to the various stages of credit risk (stage assignment) for the purposes of determining impairment.

Recognition criteria

Financial assets are initially recognised on the settlement date for debt securities and equities, on the disbursement date for loans and on the subscription date for derivative contracts.

Upon initial recognition, financial assets at fair value through profit or loss are recognised at fair value, without considering transaction costs or income directly attributable to the instrument itself.

Measurement criteria

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. The

effects of the application of this measurement criteria are charged to the Income Statement.
Market prices are used to determine the fair value of financial instruments listed on an active market. In the absence of an active market, commonly adopted estimation methods and valuation models are employed that take into account all risk factors correlated with the instruments and that are based on market data, such as: valuation of listed instruments with similar characteristics, discounted cash flow calculations, option price calculation models, values posted in recent comparable transactions, etc. For equities and derivatives involving equities not listed on an active market, the cost method is used as a fair value estimate only in a residual way and limited to a few circumstances, i.e. in the case of non-applicability of all the measurement methods mentioned above (since the most recent information available to measure fair value is insufficient), or in the presence of a wide range of possible fair value assessments, in which the cost represents the most significant estimate.
For further information on the criteria for determining fair value, please refer to the specific "Information on fair value" section.

Derecognition criteria
Financial assets are derecognised only if the contractual rights to cash flows deriving from the financial asset expired or if the entity transferred the financial asset and the sale resulted in the substantial transfer of all risks and benefits related to the assets. On the other hand, if a significant portion of risks and benefits related to the financial assets sold has been maintained, these assets will continue to be recognised, even if the legal ownership of the assets has actually been transferred.
If it is not possible to determine the substantial transfer of risks and benefits, financial assets are derecognised when the control thereof is transferred. Otherwise, the fact that even partial control has been retained means that the assets must be carried for an amount proportional to the remaining involvement, which is measured by the exposure to changes in the value of the assets sold and the changes in their cash flows.
Finally, the financial assets sold are derecognised if the contractual rights to receive the relative cash flows are retained, but an obligation is concurrently assumed to pay out to other third parties the above-mentioned flows.

<u>2. Financial assets at fair value through other comprehensive income (FVOCI)</u>

Classification criteria
This category includes financial assets that meet both of the following conditions:
- the financial asset is held according to a business model whose objective is achieved both through the collection of contractual cash flows and through sale (Held to collect and sell);
- the contractual terms of the financial asset envisage, at certain dates, cash flows represented solely by payments of principal and interest on the amount of principal to be repaid (known as passed "SPPI test").
The item also includes capital instruments, not held for trading, for which the option to be at fair value through other comprehensive income was exercised at the time of initial recognition.
In particular, this item includes:
- debt securities that are part of a Held to Collect and Sell business model and passed the SPPI test;
- equity investments that do not qualify as establishing control or joint control over or association with companies and are not held for trading, for which the option to be at fair value through other comprehensive income was exercised;
- loans that are part of a Held to Collect and Sell business model and passed the SPPI test.
According to the general rules envisaged by IFRS 9 on the reclassification of financial assets (with the exception of equities, for which no reclassification is permitted), reclassifications to other categories of financial assets are not permitted unless the entity modifies its business model for the management of financial assets.
In such cases, which are expected to be highly infrequent, financial assets may be reclassified from the category at fair value through other comprehensive income into one of the other two categories envisaged by IFRS 9 (Financial assets at amortised cost or Financial assets at fair value through profit or loss). The transfer value is the fair value at the time

of reclassification and the effects of reclassification operate prospectively from the date of reclassification. In the event of reclassification from this category to the amortised cost category, the cumulative gain (loss) recognised in the valuation reserve is recognised as an adjustment to the fair value of the financial asset at the date of reclassification. Whereas in the event of reclassification in the category of fair value through profit or loss, the cumulative gain (loss) previously recognised in the valuation reserve is reclassified from shareholders' equity to the income statement (in the item "Profit (losses) on trading").

Recognition criteria

Financial assets are initially recognised on the settlement date for debt securities and equities, and on the disbursement date for loans. Upon their initial recognition, assets are designated at fair value, which generally corresponds to the price paid. Any transaction costs or income directly attributable to the instrument itself are included in the purchase cost.

Measurement criteria

Subsequent to initial recognition, Assets classified at fair value through other comprehensive income, other than equities, are measured at fair value, with impacts deriving from application of amortised cost, the effects of impairment and any exchange rate effect recognised in the Income Statement, whereas other gains or losses arising from a change in fair value are recognised in a specific shareholders' equity reserve until the financial asset is derecognised. Upon disposal, in whole or in part, the cumulative gain or loss in the valuation reserve is reversed to the Income Statement.

The capital instruments chosen for classification in this category are measured at fair value and the amounts recognised with corresponding item in shareholders' equity must not be subsequently transferred to the income statement, even in the event of disposal. The only component relating to the equities in question that is recognised in the income statement is represented by the related dividends.

Fair value is determined on the basis of the criteria already illustrated for Financial assets at fair value through profit or loss.

For further information on the criteria for determining fair value, please refer to the "Information on fair value" section.

Financial assets at fair value through other comprehensive income - both in the form of debt securities and loans - are subject to checking the significant increase in credit risk (impairment) required by IFRS 9, as are Assets at amortised cost, with the consequent recognition in the income statement of an adjustment to cover expected losses. More specifically, on instruments classified in stage 1 (i.e. on financial assets at the time of origination, where performing, and on instruments for which there has been no significant increase in credit risk compared to the initial recognition date), a 12-month expected loss is recorded at the initial recognition date and at each subsequent reporting date. On the other hand, for instruments classified as stage 2 (performing positions for which there has been a significant increase in credit risk compared to the date of initial recognition) and stage 3 (non-performing exposures), an expected loss is recognised over the life of the financial instrument.

Vice versa, equities are not subject to impairment.

Derecognition criteria

Financial assets are derecognised only if the contractual rights to the cash flows from the financial asset expired or if the entity transferred the financial asset and the sale resulted in the substantial transfer of all the risks and benefits related to the assets. On the other hand, if a significant portion of risks and benefits related to the financial assets sold has been maintained, these assets will continue to be recognised, even if the legal ownership of the assets has actually been transferred.

If it is not possible to determine the substantial transfer of risks and benefits, financial assets are derecognised when the control thereof is transferred. Otherwise, the fact that even partial control has been retained means that the assets must be carried for an amount proportional to the remaining involvement, which is measured by the exposure to changes in the value of the assets sold and the changes in their cash flows.

Finally, the financial assets sold are derecognised if the contractual rights to receive the relative cash flows are retained, but an obligation is concurrently assumed to pay out to other third parties the above-mentioned flows.

3. Financial assets designated at amortised cost

Classification criteria

This category includes financial assets (in particular, loans and debt securities) that meet both of the following conditions:
- the financial asset is held according to a business model whose objective is achieved both through the collection of contractual cash flows, and the contractual terms of the financial asset envisage, at certain dates, cash flows represented solely by payments of principal and interest on the amount of principal to be repaid (known as passed "SPPI test"). More specifically, loans to banks and customers in different technical categories and debt securities meeting the requirements set out in the previous paragraph are included in this item.

This category also includes operating loans related to the provision of financial activities and services as established by the Italian Consolidated Law on Banking and the Italian Consolidated Financial Law.

According to the general rules envisaged by IFRS 9 on the reclassification of financial assets, reclassifications to other categories of financial assets are not permitted unless the entity modifies its business model for the management of financial assets. In such cases, which are expected to be highly infrequent, financial assets may be reclassified from the category at amortised cost into one of the other two categories envisaged by IFRS 9 (Financial assets at fair value through profit or loss or Financial assets at fair value through other comprehensive income). The transfer value is the fair value at the time of reclassification and the effects of reclassification operate prospectively from the date of reclassification. Gains and losses resulting from the difference between the amortised cost of the financial asset and its fair value are recognised in the income statement in the event of reclassification as Financial assets at fair value through profit or loss and Shareholders' equity, in the specific valuation reserve, in the event of reclassification as Financial assets at fair value through other comprehensive income.

Loans to customers also include receivables for lease transactions relating to sub-leases of portions of properties.

Recognition criteria

Financial assets are initially recognised on the settlement date for debt securities and on the disbursement date for loans. Upon initial recognition, assets are recorded at fair value, including transaction costs or income directly attributable to the instrument itself.

In particular, with regard to loans, the date of disbursement normally coincides with the date of signing of the agreement. If such a coincidence does not occur, a commitment to disburse funds is recorded at the time of signing the agreement, which ends on the date of disbursement of the loan. The loan is recognised on the basis of its fair value, equal to the amount disbursed, or subscription price, including costs/income directly attributable to the individual loan and determinable from the start of the transaction, even if settled at a later date.

Costs that, despite having the above characteristics, are reimbursed by the debtor counterparty or classified as ordinary internal administrative costs are excluded.

Measurement criteria

Following their initial recognition, the financial assets in question are at amortised cost, using the effective interest rate method. In these terms, the asset is recognised in the financial statements at an amount equal to its initial recognition value, less principal repayments, plus or minus the cumulative amortisation (calculated using the effective interest rate method referred to above) of the difference between this initial amount and the amount at maturity (typically attributable to costs/income charged directly to the individual asset). The effective interest rate is determined by calculating the rate that equals the present value of the future cash flows of the asset, for principal and interest, to the amount disbursed including costs/income related to the financial asset itself. This accounting method, which is based

on a financial approach, allows the economic effect of costs/income directly attributable to a financial asset to be distributed over its expected residual life.
The amortised cost method is not used for assets - measured at historical cost - whose short duration makes the effect of the application of the discounting logic negligible, for those without a defined maturity or revocable loans.
The measurement criteria are strictly related to the inclusion of the instruments in question in one or the three stages (stages of credit risk) envisaged by IFRS 9, the last of which (stage 3) includes non-performing financial assets and the remaining (stages 1 and 2) performing financial assets.
With reference to the accounting representation of the above valuation effects, impairment losses relating to this type of asset are recognised in the Income Statement:
- upon initial recognition, for an amount equal to the 12-month expected credit loss;
- upon subsequent measurement of the asset, where the credit risk has not significantly increased compared to initial recognition, in relation to changes in the amount of impairment for losses expected in the following twelve months;
- upon subsequent measurement of the asset, where the credit risk significantly increased compared to initial recognition, in relation to the recognition of impairment for expected losses over the life of the asset as provided for in the contract;
- upon subsequent measurement of the asset, where - after a significant increase in credit risk since initial recognition;
- the "significance" of this increase has since disappeared, in relation to the adjustment of cumulative impairment losses to take account of the change from a full lifetime expected credit loss of the instrument to a 12-month expected credit loss.
If the financial assets in question are performing, they are measured in order to determine the impairment losses to be recorded in the financial statements at the level of the individual credit relation (or security "tranche"), depending on the risk parameters represented by probability of default (PD), loss given default (LGD) and exposure at default (EAD).
If, in addition to a significant increase in credit risk, there is evidence of impairment, the amount of the loss is measured as the difference between the book value of the asset - classified as "impaired", like all other transactions with the same counterparty - and the present value of the expected future cash flows, discounted at the original effective interest rate. The amount of the loss to be recognised in the Income Statement is defined on the basis of an analytical valuation process or determined by homogeneous categories and, therefore, analytically applied to each position and considers, as described in detail in the chapter "Impairment losses of financial assets", forward looking information and possible alternative recovery scenarios.
Non-performing assets include financial instruments that have been granted the status of bad loans, unlikely to pay or past due/overdue by more than ninety days according to the rules of the Bank of Italy, consistent with IAS/IFRS and European Supervisory regulations.
The expected cash flows take into account the expected recovery time and the estimated realisable value of any guarantee.
The original effective interest rate of each asset remains unchanged over time even though the relationship has been restructured resulting in a change in the contractual interest rate and even if the relationship ceases to bear the contractual interest for practical purposes.
If the reasons for impairment no longer apply due to an event occurring after the impairment was recognised, value recoveries are recognised in the Income Statement. The value recovery cannot exceed the amortised cost that the financial instrument would have had in the absence of previous adjustments.
Value recoveries related to the passing of time are recognised in net interest income.
In some cases, during the life of the financial assets in question and, in particular, of receivables, the original contractual terms can be amended by the parties to the contract. When, over the life of an instrument, the contractual clauses are amended, it is necessary to check whether the original asset must continue to be recognised in the financial statements or, on the contrary, whether the original instrument must be derecognised from the financial statements.
In general, changes in a financial asset lead to its derecognition and to the recognition of a new asset when they are "substantial". The assessment of whether the change is "substantial" must be subject to qualitative and quantitative

considerations. In fact, in some cases it may be clear, without resorting to complex analyses, that the changes introduced substantially modify the characteristics and/or contractual flows of a given asset while, in other cases, further analyses (including quantitative analyses) will have to be carried out in order to appreciate their effects and check the need to derecognise or not the asset and to recognise a new financial instrument.
Therefore, qualitative and quantitative analyses aimed at defining the "substantiality" of the contractual changes made to a financial asset will have to consider:
- the purposes for which the changes were made: for example, renegotiations for commercial reasons and forbearance due to financial difficulties of the counterparty:

- the first, aimed at "retaining" the customer, involve a debtor who is not in financial difficulty. This case study includes all the renegotiation operations that are aimed at adjusting the cost of the debt to market conditions;
- the latter, carried out for "credit risk reasons" (forbearance measures), are attributable to the bank's attempt to maximise the recovery of the cash flows of the original loan. As a rule, the underlying risks and benefits are not substantially transferred after the changes and, consequently, the accounting representation that provides the most relevant information for the reader of the financial statements (except for what will be said below on the subject of objective elements), is that made through "modification accounting" and not through "derecognition" that implies the recognition in the income statement of the difference between the book value and the present value of the modified cash flows discounted at the original interest rate.

- the presence of specific objective elements ("triggers") that affect the characteristics and/or contractual flows of the financial instrument (such as, for example, a change in the currency or a change in the type of risk to which one is exposed, when correlated with equity and commodity parameters), which are deemed to entail derecognition in view of their impact (expected to be significant) on the original contractual flows.

Derecognition criteria
Financial assets are derecognised only if the contractual rights to the cash flows from the financial asset expired or if the entity transferred the financial asset and the sale resulted in the substantial transfer of all the risks and benefits related to the assets. On the other hand, if a significant portion of risks and benefits related to the financial assets sold has been maintained, these assets will continue to be recognised, even if the legal ownership of the assets has actually been transferred.
If it is not possible to determine the substantial transfer of risks and benefits, financial assets are derecognised when the control thereof is transferred. Otherwise, the fact that even partial control has been retained means that the assets must be carried for an amount proportional to the remaining involvement, which is measured by the exposure to changes in the value of the assets sold and the changes in their cash flows.
Finally, the financial assets sold are derecognised if the contractual rights to receive the relative cash flows are retained, but an obligation is concurrently assumed to pay out to other third parties the above-mentioned flows.

4 - Hedging Transactions

Classification criteria
Risk hedging transactions are directed at neutralising potential losses, attributable to a determined risk, and recognisable on a determined element or group of elements, if that specific risk should actually manifest itself.
IFRS 9 envisages, at the time of its introduction, the possibility of continuing to apply in full the provisions of the former IAS 39 on hedge accounting (in the carved-out version approved by the European Commission) for each type of hedge (both for specific hedges and for macro hedges).

Recognition criteria
Hedging derivatives, like all derivatives, are initially recognised and subsequently measured at fair value.

Measurement criteria

Hedging derivatives are measured at fair value. In the case of fair value hedging, the change in fair value of the hedged element is offset with the change in fair value of the hedging instrument. This offset is recognised through the recognition in the income statement - under item 90 "Fair value adjustments in hedge accounting" - of said value changes, referred both to the hedged element (with regard to the changes caused by the underlying risk factor), and to the hedging instrument. Any difference, which represents the partial ineffectiveness of the hedge, consequently constitutes its net economic effect.

The derivative is designated as a hedging derivative if there is a formalised documentation of the relationship between the hedged instrument and the hedging instrument and if it is effective at the time when the hedge starts and, prospectively, throughout the time of its validity.

The effectiveness of the hedge depends on the extent to which the changes in fair value of the hedged instrument are offset by those of the hedging instrument. Therefore, the effectiveness is determined by the comparison between the aforesaid changes, taking into account the intent pursued by the company when the hedge was established.

If the hedge is ineffective, hedge accounting, as set out above, is stopped, the hedging derivative is reclassified among trading instruments and the hedged financial instrument reacquires the measurement criteria that matches its classification in the financial statements.

5 - Equity investments

Classification criteria

The item "Equity investments" includes investments in associated companies and jointly controlled companies; as required by IAS 28, this item also includes equity interests classified as joint ventures.

Equity interests in other companies in which the Parent Company does not exercise control or over which it has no significant influence, either directly or through its subsidiaries, but which are acquired as long-term investments and not held for the purpose of trading, are classified as "Financial assets at fair value through other comprehensive income".

Recognition criteria

Equity investments are recorded at their settlement date and at purchase - or subscription - cost, including the additional charges and subsequent adjustment, on the basis of the stake held in the investee company.

Measurement and recognition criteria of income statement items

After initial recognition, the book value will be adjusted to reflect changes in the shareholders' equity of the investee company. The pro quota share of the net income of the investee company is recorded under item 250 "Profit/loss from equity investments" of the consolidated income statement.

Derecognition criteria

Equity investments are derecognised when they are transferred, with the substantial transfer of all related risks and benefits, or when the contractual rights to cash flows deriving from them expire.

6 – Property,equipment and investments property

Classification criteria

This item includes the assets for permanent use held to generate income and the property held for investment purposes. Property and equipment also include advance payments made for the purchase and revamping of assets that are not yet part of the production process and hence not yet subject to depreciation.

Rights of use acquired through leases and relating to the use of a property or equipment (for the lessees) and assets granted under an operating lease (for the lessors) are also included.

Recognition criteria

All classes of property, plant and equipment recognised as assets are initially recorded at cost, insofar as it is representative of their fair value. The cost includes the purchase price, non-recoverable purchase taxes and any cost directly descending from the installation of the asset for its intended use, minus any trade discount.

Financial expenses are recorded according to IAS 23 and, therefore, recognised as a cost in the year in which they were incurred.

Overheads and administrative expenses are not included in the initial cost of the assets in question, unless they are directly descended from the purchase of the asset or its installation.

Lease agreements, in accordance with IFRS 16, are accounted for on the basis of the right of use model whereby, at the initial date, the lessee has a financial obligation to make payments due to the lessor as compensation for its right to use the underlying asset during the lease term. The duration of the lease agreement is determined taking into account the period of time during which the contract is enforceable; the lease agreement is considered

to be no longer enforceable when the lessee and the lessor each have the right to terminate the lease without the consent of the other party and are at most exposed to a minimum penalty.

When the asset is made available to the lessee for use (initial recognition date), the right of use is recognised - net of VAT and any sub-leases - as a balancing entry to the payable equal to the present value of the lease payments to be made to the lessor.

Measurement criteria

Following their initial recognition, instrumental fixed assets and fixed investments are measured at cost minus the accumulated depreciation and taking into account any impairment losses and/or value recoveries.

This principle has been adopted because it was deemed more appropriate than the revaluation method provided by the reference accounting standard.

Property and equipment are depreciated each year, at rates calculated by reference to the residual possibility of using the assets, their related useful life and realisable value, except for land (incorporated in the asset value) and works of art, insofar as they have an indefinite life. In the case of land whose value is incorporated in the value of the property and equipment, the relevant separation is made only for free-standing buildings. For assets acquired during the year, the amortisation is calculated on a daily basis starting on the date on which the asset was first used.

Property and equipment featuring an unlimited useful life cannot be depreciated.

Subsequent expenses relating to property, plant and equipment, already recorded, are added to the book value of the asset when it is likely that the future economic benefits exceed the previously established ordinary performance of the asset.

At the end of each reporting period, an impairment test is carried out on the assets. More specifically, a comparison is made between the book value of the asset (purchase cost less accumulated depreciation) and its recoverable amount, equal to the greater of the fair value, minus any sales cost, and the related value of use of the asset, meaning the present value of the future cash flows expected from the asset. Adjustments are recorded in the income statement under item 210 "Net losses/recoveries on property and equipment". If the reasons that led to the recognition of the loss cease to apply, a value recovery is recorded that may not exceed the value that the asset would have had minus the depreciation calculated in the absence of previous impairment losses.

Property and equipment consisting of rights of use acquired under a lease, recorded in accordance with IFRS 16, are measured using the cost model and depreciated over the lease term and periodically subjected to impairment testing.

Derecognition criteria
The book value of property and equipment must be derecognised on its disposal, or when no future economic benefit is expected from its use.
The right of use deriving from lease agreements is eliminated from the Financial Statements at the end of the term of the lease agreement, which may be modified with respect to the initial recognition of the right of use, to take into account the exercise of any early extinction, renewal or purchase options not considered at the time of recognition.

7 - Intangible assets

Classification criteria
Intangible assets include long-term application software. The positive difference between the value of the assets and liabilities acquired following a business combination and the related purchase price of the combined business entity is recorded under the intangible assets as goodwill.

Recognition criteria
Intangible assets are recorded at their purchase cost. The purchase cost may be adjusted for ancillary charges. The costs incurred for the purchase of intangible assets are recognised only if they are identifiable, their cost can be measured reliably, they can be controlled and they are able to generate future economic benefits. Otherwise, the cost of the intangible asset is recorded in the income statement in the year in which it was incurred. The Banca Finnat Group, in view of the option envisaged by IFRS 16.4, decided not to apply the standard to any operating leases on intangible assets. Therefore, Intangible assets do not include rights of use acquired under operating leases (as lessee) and relating to the use of an intangible asset.

Measurement and recognition criteria of income statement items
Following their initial recognition, intangible assets, including rights of use acquired under operating leases, are measured at cost, less the accumulated amortisation and any impairment losses. The "at cost" measurement method was deemed more appropriate than the "revaluation" method. The cost of intangible assets is amortised, minus the recoverable amount, on the basis of their estimated useful life. For assets acquired during the year, the amortisation is calculated on a daily basis starting on the date on which the asset was first used. In the case of assets transferred and/or disposed of during the year, the amortisation is calculated on a daily basis until the date of transfer and/or disposal.
If the useful life of the fixed asset cannot be established and appears to be indefinite (goodwill), the asset is not amortised, however it is periodically tested for impairment and, in any case, each time objective evidence is found to this effect its initial recognition value may have to be changed. The performance of this test entails the prior allocation of goodwill to a cash-flow-generating unit, whose value can be reliably estimated. Goodwill impairment is calculated as the difference between its book value and the estimated recoverable amount, determined by reference to the cash-flow-generating unit to which the goodwill in question has been allocated. Any impairment calculated as the difference between the book value of the fixed asset and its recoverable amount is recorded in the income statement under item "270 Goodwill impairment losses". Goodwill impairment may not be reversed in future accounting periods as required by IAS 36.
Regarding intangible assets other than goodwill, if there is evidence of impairment, an estimate is made each year of the recoverable amount of the assets. The amount of the loss, recorded in the income statement, is equal to the difference between the book value of the asset and its recoverable amount. If the recoverable amount of a specific intangible asset cannot be determined, then the asset must be assigned to the smallest independent cash-flow-generating unit (CGU), and it is by reference to the latter that the recoverable value is estimated and compared with the book value, to establish the possible impairment loss.

Derecognition criteria
Intangible assets are derecognised when they are sold or when no future economic benefits are expected from their use.

9 - Current and deferred tax

Current and deferred income taxes, calculated in accordance with the applicable domestic regulations, is recorded in the Income Statement, except in the case of items directly charged or credited to shareholders' equity. Tax provisions are calculated on a prudential basis and also include the risk provisions set aside in connection with the ongoing disputes.
Since 2004, the Bank and its Italian-based subsidiaries have decided to join the "domestic consolidated tax system", pursuant to Articles 117/129 of the TUIR. The option was renewed in June 2019 for the 2019/2021 period.
By virtue of this option, the Group companies determine their proportion of the taxes payable and the corresponding tax income (taxable income or tax loss) is transferred to the Parent Company, relating to which a single taxable income or loss is reported (resulting from the arithmetical sum of its own and its participating subsidiaries' incomes/losses) and, consequently, a single income tax debit/credit is determined.
Deferred taxation is calculated based on the tax effect of the temporary differences between the book value of the assets and liabilities and their tax value, resulting in future taxable amounts or tax deductions. For this purpose, "temporary taxable differences" means those that, in the future, will determine taxable amounts, while "temporary deductible differences" those that, in the future, will determine deductible amounts. Deferred tax assets are recorded in the financial statements insofar as they are likely to be recovered, based on the capability of the Bank, and of the other Group companies belonging to the "domestic consolidated tax system", to generate taxable income, in the future, on a regular basis.
Deferred taxation is calculated based on the applicable rates, with respect to the temporary taxable differences, with respect to which there is the likelihood of effectively incurring taxes, and the temporary deductible differences, with respect to which there is the reasonable certainty of recovering tax money back.
Deferred tax liabilities are calculated taking into account the rates expected when payment falls due.
If the deferred tax assets and liabilities relate to Income Statement items, the balancing item is represented by income tax.
When deferred tax assets and liabilities concern transactions recorded in shareholders' equity, without affecting the income statement, the directly balancing entry is recorded in shareholders' equity, in the specific reserves where provided (Valuation reserves).

Current tax assets/liabilities related to income tax for the year are recognised net of any tax paid in advance and any withholding tax incurred.

Deferred tax assets and deferred tax liabilities are recorded in the financial statements, respectively under "Tax assets" and "Tax liabilities".

10 - Provisions for risks and charges

Provisions for risks and charges against commitments and guarantees given
The sub-item of provisions for risks and charges under examination includes the provisions for credit risk recognised against commitments to lend funds and guarantees given that fall within the scope of application of the rules on impairment in accordance with IFRS 9. For these cases, in principle, the same methods of allocation between the three stages of credit risk and calculation of the expected loss shown with reference to financial assets at amortised cost or at fair value through other comprehensive income, are adopted.

Other provisions

The other provisions for risks and charges include the allocations relating to legal obligations or connected with employment agreements or with disputes, including those of a tax-related nature, originated from a past event for which it is likely that economic resources will be expended to comply with said obligations, provided that a reliable estimate of the related amount can be obtained.

If the time element is significant (expected outlay beyond 12 months), the allocations are discounted to the present with reference to current market rates. The allocation and any subsequent increases in the provisions due to the time factor are recognised in the income statement.

The allocated provisions are subject to periodic reviews and when it becomes unlikely that possible costs may be incurred, the allocations are fully or partly reversed to the benefit of the income statement.

11. Financial liabilities at amortised cost

Classification criteria

Due to banks, Due to customers and Securities issued include the various forms of interbank and customer deposits, repurchase agreements with the obligation to repurchase forward bonds and other funding instruments issued, net of any amounts repurchased.

This item also includes the payables recorded by the company as a lessee under leases.

Recognition criteria

The initial recognition of these financial liabilities occurs on the date the contract is signed, which normally coincides with the date of receipt of the sums collected or the date of issue of the debt securities.

Initial recognition is carried out based on the fair value of the liabilities, generally equal to the amount received or the issue price, plus any additional costs/income directly attributable to the individual funding or issue transaction. Internal administrative costs are excluded.

With regard to lease payables, the lessee, on the commencement date of the contract, recognises the payable equal to the present value of the payments due for the entire duration of the contract, discounted using marginal lending rates identified by the Group equal to the interest rate that Banca Finnat should pay for a loan, with similar duration and guarantees, necessary to obtain an asset whose value is equal to the asset consisting of the right of use in a similar economic environment.

Measurement criteria

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

Exceptions are short-term liabilities, for which the time factor is negligible, which remain recorded at the value received.

Lease payables are updated, as indicated by IFRS 16, in the presence of contractual changes due to: change in the duration of the lease; change in the guaranteed residual value, change in the exercise of the purchase option, recalculation of fixed or variable payments.

Derecognition criteria

Financial liabilities are derecognised when they expire or are extinguished. Derecognition takes place also in the event of the repurchase of bonds previously issued. The difference between the book value of liabilities and the amount paid to purchase them is posted in the Income Statement.

The replacement on the market of treasury shares after they have been repurchased is considered tantamount to a new issue, with the entry of the new placement price.

12. Financial liabilities held for trading

Classification criteria
This item includes financial liabilities, regardless of their technical form, classified in the trading portfolio.
In particular, this category of liabilities includes trading derivatives with a negative fair value as well as embedded derivatives with a negative fair value that are present in complex contracts - where the primary contract is a financial liability - but not strictly related to them. Liabilities that originate from uncovered short positions generated by securities trading are also included.

Recognition criteria
These liabilities are recognised at the subscription or issue date at a value equal to the fair value of the instrument, without considering any directly attributable transaction cost or income.

Measurement criteria
All trading liabilities are measured at fair value with the result of the measurement recognised in the Income Statement.

Derecognition criteria
Financial liabilities held for trading are derecognised from the financial statements when the contractual rights to the corresponding cash flows expire or when the financial liability is sold substantially transferring all related risks and benefits. The resulting difference is recorded in the income statement.

14 - Foreign-currency transactions

Foreign-currency transactions are recorded in Euro, at their initial recognition, applying the spot exchange rate in force at the date of the transaction.
When preparing the financial statements, items in foreign currencies are recorded as follows:

- in the case of monetary instruments, at the spot exchange rate on the date of preparation of the financial statements, with foreign exchange differences recorded in the income statement under the item "Profit (losses) on trading";
- in the case of non-monetary instruments, they are measured at historical cost, at the exchange rate in force at the time of the original transaction;
- in the case of non-monetary instruments measured at fair value, at the spot exchange rate in force at the time of preparation of the financial statements.

Exchange rate differences relating to non-monetary items are recorded applying the accounting standards used for the profits and losses relating to the original instruments.

16 - Other information

1. Treasury shares
Treasury shares held are stated in the financial statements at cost, adjusting shareholders' equity by a corresponding amount. No profit or loss is recorded in the income statement in connection with the purchase, sale, issue and derecognition of instruments that represent the Bank's capital. The consideration paid or received is recognised directly in shareholders' equity.
Any marginal cost incurred for the repurchase of treasury shares is recorded as a decrease in shareholders' equity, as long as it is directly related to the capital transaction that otherwise would not have been incurred.

2. Post-employment benefits

Post-employment benefits are determined as the Group's present obligation towards its employees, in terms of the related termination indemnity. The amount of this obligation on the date of the financial statements is estimated using actuarial methods and time-discounted using the "Projected Unit Credit Method" whereby each period of service is viewed as giving rise to an additional unit of benefit entitlement and each unit is measured separately to build up the final obligation. Once the final obligation is obtained, the Group needs to calculate its present value, even if part of the obligation falls in the twelve-month period after the reporting period. Actuarial profits/losses deriving from defined benefit plans are stated in shareholders' equity under Valuation reserves. All other components of the provisions for termination indemnities accrued during the year are posted in the income statement under item 190. Administrative expenses: a) personnel expenses in "Termination indemnities", for the amounts paid to the INPS Treasury; "payments to external pension funds: defined contribution" for payments made to Supplementary Retirement Plans and "provisions for termination indemnities" for the adjustment of the fund present in the company.

3. Recognition of revenue and costs

Revenue

Revenues are gross flows of economic benefits deriving from the carrying on of the normal company business, when such flows determine increases in shareholders' equity other than the increases deriving from the contribution of shareholders. Revenues are recognised on an accrual basis.

In particular, fee and commission income and other income from services are recognised in the financial statements only if all the following criteria are met:
1) identifying the contract with a customer;
2) identifying the performance obligations;
3) determining the transaction price;
4) allocating the transaction price to the performance obligations;
5) recognising revenue when (or as) the entity satisfies a performance obligation.
Revenues configured as variable considerations are recognised in the income statement if they can be reliably estimated and only if it is highly probable that this consideration must not be reversed from the income statement in future periods in whole or in a significant part.
In the event of a strong prevalence of uncertainty factors related to the nature of the consideration, it will be recognised only when this uncertainty is resolved. Factors that could increase the likelihood and extent of the downward adjustment of revenue include, among other things, the following:

e. the amount of the consideration is very sensitive to factors beyond the control of the entity (e.g.: market volatility);
f. experience with the type of contract is limited;
g. it is the practice to offer a wide range of price concessions or to change the terms and conditions of payment of similar contracts in similar circumstances;
h. the contract has a large number and a wide range of possible amounts of remuneration.

The consideration for the contract, the collection of which must be probable, is allocated to the individual obligations arising from the contract. The allocation must be based on the selling prices that would have been applied in a transaction involving the individual contractual commitment (standalone selling price). The best indication of the standalone selling price is the price of the good or service that can be observed when the company sells the good or service separately in similar circumstances and to similar customers. If the standalone selling price is not directly observable, it must be estimated.

In the event that the customer obtains a discount for the purchase of a bundle of goods or services, the discount must be allocated between all the performance obligations provided for in the contract; the discount can be attributed to one or more obligations if all of the following criteria are met:

a. the entity normally sells separately each distinct good or service;

b. the entity normally also sells separately the bundle(s) of some of the distinct goods or services, giving a discount on the standalone selling prices of the goods or services of each bundle, and the discount is substantially the same discount provided for in the contract.

Revenue is recognised over time when the goods or services have been transferred (satisfaction of performance obligations); an asset is transferred when the customer has control of the asset, i.e. when it can use the goods or service directly and obtain all the benefits. Depending on the timing of the satisfaction of the performance obligations, the revenue can be recognised:

- when control is passed at a certain point in time; factors that may indicate the point in time at which control passes include:
  - the entity has a present right to payment for the asset;
  - the customer has legal title to the asset;
  - the entity has transferred physical possession of the asset;
  - the customer has the significant risks and benefits related to the ownership of the asset;
  - the customer has accepted the asset.
- or, alternatively, over the time provided for the satisfaction of the performance obligations, if one of the following criteria is met:
  - the customer simultaneously receives and consumes all of the benefits provided by the entity as the entity performs;
  - the entity's performance creates or enhances an asset that the customer controls or from which it can derive all the benefits (potential cash flows);
  - the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

Interests are recognised on an accrual basis that considers the effective yield of the asset.
The positive economic components accrued on financial liabilities are recognised under the item "Interest income and similar income".
Default interests are recorded under the item "Interest income and similar income" when they are actually collected.

Dividends are recorded in the accounts in accordance with the shareholders' right to receive payment.

Revenue is recognised over time when the goods or services have been transferred (satisfaction of performance obligations): an asset is transferred when the customer has control of the asset, i.e. when it can use the goods or service directly and obtain all the benefits.

The disclosure required by IFRS 15 (Revenue from Contracts with Customers).
Nature of the services

A description of the main businesses from which the Group generates its revenue from contracts with customers, distinguished by business area, is provided below.

Banca Finnat

Private banking and Banking Services
The main services provided to the private customers of the Bank by the private bankers of the Sales Department include the revenue deriving from agreements for individual portfolio management, trading, trading with consultancy services, placement, and all agreements associated with a current account relationship (cash services, payments, money management, debit cards, credit card loans, home banking, etc.). All performance obligations are defined by formalised agreements. If the agreements include the performance of distinct services, the revenue pertaining thereto is:

- recorded separately on the basis of standalone sale prices defined contractually (as in the case of fees for services of individual portfolio management, trading and order execution on financial instruments, placement and of fees for the transmission of documents, reports and communications);
- recorded on the basis of the mandatory service performed if the services cannot be separated within the context of the agreement because one is the input of the other (as in the case of the combination of the consultancy and securities custody services) or because they are interdependent, not separable and not sold individually (as in the case of banking services associated with a current account).

Depending on the way the services are performed, revenue is recorded punctually (e.g. in the case of fees for trading, collection and payment, subscription) or, in case of services performed over time, based on the value that the services completed until the considered date have for the customer, corresponding to the amount provided by the agreement.
Individual portfolio management agreements provide for the debiting (with annual or less than annual periodicity) of variable overperformance amount with respect to reference parameters. The determination of these fees depends on the result achieved at the end of the reference period, which cannot be estimated on the occasion of the quarterly measurements, since it is not highly probable that when, subsequently, the uncertainty associated with the variable consideration is resolved, there will be no significant downwards adjustment of the amount of the recorded cumulated revenue; these fees are affected by external factors with respect to the management activity of the bank (such as market volatility and the performance of the reference parameter).
The revenue accounting procedures adopted before the entry into force of the provisions of IFRS 15 are in line with those described, except that for the types of trading agreements that prescribe free fees for the execution of orders on financial instruments in view of the application of fees for the consultancy and custody services proportionate to the assets under administration; for these agreements, the amount of the fees is allocated, for accounting purposes, among the obligations prescribed by the agreement, attributing to the custody and administration service an amount equal to the standalone sale price of the service and to the trading service the residual amount.

Institutional customers
The main services provided by the Institutional Customers Organisational Unit of the Bank includes: the asset management services performed by appointment by UCIs, the management and trading services directed to corporate customers and to qualified counterparties, the services directed to listed issuers (specialist operator services, qualified operator, analyst coverage, centralised management, etc.).
All performance obligations are defined by formalised agreements. Management and trading services are recognised according to the same rules envisaged for private customers.

Services directed to listed issuers are carried out over time, because customers benefit from the activity carried out continuously and they are consequently recognised based on the value for customers of the services transferred until the date considered on the basis of the amount the Bank is entitled to receive.

Centralised management services can be sold on the basis of individual modules or as packages; in this case, the value of the service provided consists of the single fee envisaged for the different services included in the package and any discount with respect to the acquisition of the individual services is allocated proportionately among the different mandatory services performed. If the agreements include services whose revenue is recognised punctually at the time of execution, the portion referred to these services is recorded at the time of performance or, if the services were not performed within the reference period of the agreement, at its periodic expiration.

The revenue recognition methods that were adopted before the entry into force of the provisions of IFRS 15 are substantially in line with those described above.

Advisory and Corporate Finance

"Consultancy services on financial structure", rendered to corporate customers by the Advisory & Corporate Finance Organisational Unit of the Bank to provide assistance to customers in major corporate finance matters (mergers & acquisitions, listings and IPOs, company appraisals, industrial and financial restructuring, project financing, strategic consultancy), are defined by formalised agreements. Depending on the type of assistance provided, the agreement may entail the performance of different activities, which, however, are necessary inputs for the achievement of the objective provided for by the agreement and therefore are inseparable and included in a single mandatory service. This service is considered completed over time regardless of the envisaged invoicing timelines because: the customer benefits from the assistance service rendered by the Bank on a continuous basis; performance of the activity does not present an alternative use for the Bank, being carried out exclusively for the Customer according to his specific characteristics and requirements; any adaptation of the activities performed for another use is subject to practical limitations because the specifications of the activities carried out are unique for that Customer; throughout the duration of the agreement, the Bank is entitled to require payment of the service completed up to the date considered even if the agreement is terminated by the Customer for reasons other than the Bank's failure to perform. However, if the assistance agreement requires releasing the declaration of appropriateness for the purposes of listing, the connected fees are recognised punctually because the Customer receives the benefits deriving from fulfilling the obligation to obtain listing on the market only on the release date.

Any success or performance fees are instead recognised only in case of formalisation of the transactions and when the conditions underlying their ascertainment are met; these are variable fees which the Bank cannot determine in a highly probable manner before the "resolution of the uncertainty" associated with the fees themselves, being conditioned by factors on which the Bank has no control (such as actions performed by third parties: customers, investors, lenders).

InvestiRE SGR S.p.A.

The purpose of the real estate SGR is to manage professionally and valorise the Assets of the managed Funds carrying out its own real estate initiatives, in accordance with the investment policies of each Fund. Within the scope of its activities, the SGR identifies and carries out the investments that by nature and intrinsic characteristics are appropriate to achieve the objectives of the Funds, assessing the overall risks of the portfolio. Within the scope of its activities, the SGR also assesses and manages the liquidity risk, manages the accounting of the Funds and generally performs all the activities necessary for the purpose of the fund, identified in the management Regulation.

The mandatory service identifiable in the formalised agreements is the Fund management and valorisation activity; the different services performed are similar to each other and they share the way the benefit is transferred to the customer and therefore they are considered a single mandatory service. The management fees, development fees and sale fees provided for in the agreements are recognised progressively according to the elapsing of time, assessing progress with the output-based method; revenues are consequently recognised on a quarterly basis on an accrual basis. In the presence of variable success fees, whose liquidation is subordinated to meeting specific conditions set forth in the regulation, these fees are recognised upon expiration of the lifetime for the Fund (or at the shorter time interval envisaged by the regulation): however, if the requirements are met, an early recognition of the success fees may be considered only if it is highly probable that the objective defined in the regulation is achieved. In particular, the portion of the performance fees on the sales of the FIA FIP, not liquidated immediately, is recognised early with respect to the definitive accrual (envisaged on the date of liquidation of the fund) if at the end of each reporting period it is deemed highly likely that there will be no significant downwards adjustment of the amount of the cumulated revenue recognised and otherwise after punctually considering all "limitations to the estimates of the variable consideration" envisaged by IFRS 15.57; the company deems that it has such elements as to be able to make reasonable estimates on the probability that the agreed variable consideration will be paid at the expiration of the fund and, on the occasion of each half-yearly closing of the fund, it verifies the conditions envisaged in a specific analysis model in order to confirm the recognition of the variable consideration in question and the related amount. The revenue recognition methods that were adopted before the entry into force of the provisions of IFRS 15 are substantially in line with those described above except with regard to FIA FIP whose regulation has been in force, however, since the year 2018.

Natam SA

Natam, a Luxembourg-based asset management company, performs, in favour of the managed UCIs: a) collective management services, such as investment management, central administration and registry services, marketing and sales services, risk management services; b) ancillary services, such as governance, document production, IT support management services. The company may delegate one or more of the activities performed to third parties. All services are provided for by formalised agreements. The services per letter a) follow the same model for transfer to the customer and they are not sold separately by the Company, consequently they are considered a single mandatory performance. The service is performed over time and the fees received are recognised assessing progress with the method based on the output measured on the basis of elapsed time; revenue is then recognised on a quarterly basis according to the amount the company is contractually entitled to require from the customer, corresponding to the value for the customer of the services completed until the date considered. Any overperformance fees are recognised only when they definitively accrue because the amount of the consideration is sensitive to factors outside the entity's control, and in particular to market volatility and to third parties' judgement and actions and, therefore, they cannot be estimated on a quarterly basis because it is not highly probable that there will be significant downwards adjustments of the consideration accrued on the occasion of the quarterly reports.
The services per letter b) constitute distinct mandatory services whose price consists of the consideration provided for contractually for each service because they correspond to prices the company could apply in case of separate sale of the individual services to the customer. The services are performed and recorded over time as indicated for the services per letter a) excepting services that entail the production of documents which are recognised punctually at the time of performance because they refer to the production of material whose benefit to the customer is provided at the time of its production and delivery.
The revenue recognition methods that were adopted before the entry into force of the provisions of IFRS 15 are in line with those described above.

Finnat Fiduciaria S.p.A.

The company provides customers with services pertaining to asset planning, fiduciary administration of financial assets and of corporate assets, and performs guarantee functions.
All services are contractually formalised.
The services are performed over time and the fees received are recognised assessing progress with the method based on the output measured on the basis of elapsed time; revenue is then recognised according to the amount the company is contractually entitled to require from the customer, corresponding to the value for the customer of the services completed until the date considered.

The revenue recognition methods that were adopted before the entry into force of the provisions of IFRS 15 are in line with those described above.

Finnat Gestioni S.A.
The company provides customers with the individual portfolio management service. The recognition of the fees follows the procedures envisaged for the same service performed by the Bank.
The quantitative information is provided:

- in part B - Information on the statement of financial position in section 4 - Financial assets at amortised cost, quantitative information is provided about the assets/liabilities from contracts with customers not debited in the current accounts on the basis of a breakdown by type of service;
- in part C - Information on the income statement in section 2 - Fees and commissions, quantitative information is provided about revenue from contracts with customers on the basis of a breakdown by type of service;
- in part L of the Consolidated Financial Statements - Segment Reporting, quantitative information is provided about revenue from contracts with customers distinguished by the business sectors of the Group represented on the basis of a breakdown by type of service and of a breakdown by assessment procedure.

Costs
Costs are recognised when they are incurred in compliance with the criterion of correlation between costs and revenues that derive directly and jointly from the same transactions or events. Costs (including impairment losses) that cannot be related to revenues are immediately recognised in the Income Statement.
Costs directly attributable to financial instruments at amortised cost and determinable from the start, regardless of the moment when they are paid, are included in the Income Statement by applying the effective interest rate.
Interests are recognised on an accrual basis that considers the effective yield of the asset.
Negative income components accrued on financial assets are recognised in the item "Interest expense and similar expense", item that also includes interest expense on lease payables (while interest income and similar income include interest from subleases).

Rents payable for property leases, company vehicles and other assets falling within the scope of IFRS 16 are not recognised under Administrative expenses (as was the case under the previous IAS 17); against the recognition of the rights of use deriving from lease agreements, impairment losses are recorded due to the depreciation of the right of use calculated on a straight-line basis according to the duration of the contract or the useful life of the right itself, while, against the recognition of the payable for the fees due for the rights of use, accrued interest expense is recorded.
Administrative expenses (Personnel expenses and Other administrative expenses) include short-term lease payments and low-value lease payments as well as variable payments for lease payments not included in the valuation of lease payables and the VAT component, if non-deductible.

"Sundry expenses" also include the depreciation of leasehold improvements acquired through leases classified as "Other assets".

4. Classification of financial assets
The classification of financial assets in the three categories envisaged by IFRS 9 depends both on the business model with which the financial instruments are managed and on the contractual characteristics of the cash flows of the financial assets (or SPPI Test). The combination of these two elements results in the classification of financial assets as follows:

- Financial assets at amortised cost: assets that pass the SPPI test and fall within the Held to Collect (HTC) business model;
- Financial assets at fair value through other comprehensive income (FVOCI): assets that pass the SPPI test and fall within the Held to Collect and Sell (HTCS) business model;

- Financial assets at fair value through profit or loss (FVTPL): it is a residual category that includes financial instruments that cannot be classified in the previous categories based on the results of the business model test or the test on the characteristics of the contractual flows (SPPI test not passed).

SPPI test

The Standard requires financial assets to be classified also on the basis of the characteristics of the contractual cash flows. The SPPI test requires the determination of whether the contractual cash flows consist of Solely Payments of Principal and Interest on the principal amount outstanding (IFRS 9 - B4.1.7).

Contractual cash flows may be consistent with the definition of a "basic lending arrangement" even if the credit risk will be offset. Moreover, the interest rate can also include an additional fee that takes into account other risks such as liquidity risk or administrative costs. The possibility of obtaining a profit margin is also consistent with the definition of "basic lending arrangement" (IFRS 9 - B4.1.7A).

Contractual features that introduce an exposure to risks or volatility unrelated to "basic lending arrangements", such as exposure to changes in equity prices or commodity prices, do not meet the definition of Solely Payments of Principal and Interest on the principal amount outstanding.

Therefore, the SPPI test is aimed at identifying all the contractual characteristics that may show payments other than those relating to the principal and interest accrued on the principal amount outstanding.

Only if the test is successful can the instrument be accounted for, depending on the business model identified, at amortised cost or at fair value through OCI.

The test will only be necessary if the adopted business model is "Collect" or "Collect and Sell". Conversely, if the instrument is managed according to the residual business model, the instrument will be accounted for at fair value regardless of the characteristics of the contractual cash flows.

Business model

The business model represents the way in which the Bank manages its financial assets, i.e. with which it intends to realise the cash flows of debt instruments. It reflects the way in which groups of financial assets are collectively managed to pursue a particular business objective and does not depend on management's intentions with respect to a single instrument but is set at a higher level of aggregation.

The definition of the Group's business model takes into consideration all the useful elements that emerge both from the strategic objectives defined by the Bank's top management and from elements relating to the organisational structure of the structures in charge of the management of assets and the methods for defining the budget and evaluating their performance. The method of management is defined by the top management through the appropriate involvement of the business structures. The business model does not depend on the intentions of the management with respect to a single instrument, but rather refers to the way in which homogeneous portfolios are managed in order to achieve a given objective.

The business model is defined on the basis of several elements, such as (IFRS 9 - B4.1.2B):

- How the performance of the business model and the financial assets held within that business model are assessed and reported to the entity's key executives;
- The risks that affect the performance of the business model and the ways those risks are managed;
- How managers of the business are remunerated - e.g. whether the remuneration is based on the fair value of the assets managed or on the cash flows collected.

The drivers used to assess the performance of the various business models identified and the type of reporting produced are elements to be considered for the correct attribution of the business model. In particular, performance and reporting could be based on information on fair value or interest received, depending on the purpose for which the assets are held.

Adequate monitoring, escalation and reporting is essential to ensure proper management of risks that may affect portfolio performance.

The possible business models set out in the Standard are as follows:

- "Held to collect": requires the realisation of contractually envisaged cash flows. This business model is attributable to assets that will presumably be held until their natural maturity (IFRS 9 - B4.1.2C).
- "Collect and Sell": envisages the realisation of cash flows as provided for in the contract or through the sale of the instrument. This business model is attributable to assets that may be held to maturity, but also sold (IFRS 9 - B4.1.4).
- "Sell": this model is directed at realising cash flows by selling the instrument. This business model is attributable to assets managed with the objective of realising cash flows through sale - known as "trading" - (IFRS 9 - B4.1.5).

The measurement of the business model to be attributed to the portfolios is carried out on the basis of the scenarios that could reasonably occur (IFRS 9 B4.1.2A), considering all relevant and objective information available at the measurement date.

In the event that the cash flows are realised in a way that is different from initial expectations considered in the definition of the business model, this realisation will not:

- change the classification of the remaining assets held in that business model;
- give rise to a prior-period error in the entity's financial statements.

However, information on how the cash flows of the target portfolio were realised in the past, together with other relevant information, will necessarily have to be taken into account prospectively when classifying the subsequent purchase/recognition of a new asset in the financial statements. The business model must be attributed at the level of the portfolio, sub-portfolio or individual instrument, where these best reflect the way assets are managed (IFRS 9 - B4.1.2).

5. Manner of determination of the amortised cost

The amortised cost of a financial asset or a financial liability is in general the amount at which the financial asset or financial liability is measured at initial recognition minus principal reimbursements, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any impairment loss.

The effective interest rate is the rate that equalises the present value of future contractual cash payments or receipts until the expiry or the following recalculation date of the price to the net carrying amount of the financial asset or financial liability. In order to calculate the present value, the effective interest rate is applied to the flow of future receipts or payments estimated during the useful life of the financial asset or liability - or a shorter period in the presence of certain conditions (for example, the review of market rates).

If it is not possible to estimate reliably the cash flows or the expected life, the Group uses the expected contractual cash flows for all the period of validity of the contract.

Subsequent to initial recognition, the amortised cost allows to allocate revenues and costs deducted from or summed to the instruments during its expected life through amortisation. The method of determination of the amortised cost depends on whether the measured financial assets/liabilities have a fixed or variable rate.

For fixed-rate instruments, future cash flows are quantified based on the interest rate known during the life of the loan. For variable-rate financial assets/liabilities, whose variability is not known a priori (because, for example, linked to an index), cash flows are determined by maintaining constant the last variable rate recorded. At each date of review of the rate, the redemption plan and the effective interest rate are recalculated over the entire useful life of the instrument, i.e. until the date of expiry.

Measurement at amortised cost is carried out for financial assets and liabilities at amortised cost (due from/to banks and loans/due to customers) and for financial assets at fair value through other comprehensive income. For the latter, the amortised cost is calculated for the sole purpose of recognising in the income statement the interests based on the effective interest rate; the difference between the fair value and the amortised cost is recorded in a specific shareholders' equity reserve.

6. Methods for determining impairment losses

IFRS 9 envisages a model for determining prospectively impairment losses, which requires the immediate recognition of losses on receivables even if only expected, contrary to IAS 39 that requires for their recognition the examination of past events and current conditions.

At the end of each reporting period, in accordance with IFRS 9, financial assets other than those designated at fair value through profit or loss are measured to determine whether there is any evidence that the book value of the assets may not be fully recoverable. A similar analysis is also carried out for commitments to lend funds and guarantees given that fall within the scope of impairment pursuant to IFRS 9.

In the event that such evidence exists (known as "impairment evidence"), the financial assets in question - consistently, where existing, with all the remaining assets pertaining to the same counterparty - are considered impaired and are included in stage 3. Against these exposures, represented by financial assets classified - in accordance with the provisions of Bank of Italy's Circular no. 262/2005 - in the categories of bad loans, unlikely to pay and past due by more than ninety days, impairment losses equal to the full lifetime expected credit loss must be recognised.

For financial assets for which there is no evidence of impairment (performing financial instruments), it is necessary, instead, to check whether there are indicators such that the credit risk of the individual transaction is significantly increased compared to the time of initial recognition. The consequences of this check from the point of view of classification (or, more properly, staging) and measurement, are as follows:

- where such indicators exist, the financial asset is included in stage 2. in this case, the measurement, in accordance with the international accounting standards and even in the absence of an evident impairment, envisages the recognition of impairment losses equal to the full lifetime expected credit loss of the financial instrument. These adjustments are reviewed at the end of each subsequent reporting period both to periodically check their consistency with the constantly updated loss estimates and to take into account - in the event that the indicators of a "significantly increased" credit risk are no longer available - the changed forecast period for calculating the expected loss;
- where such indicators do not exist, the financial asset is included in stage 1. in this case, the measurement, in accordance with the international accounting standards and even in the absence of an evident impairment, envisages the recognition of 12-month expected credit losses for the specific financial instrument. These adjustments are reviewed at each subsequent reporting date both to periodically check their consistency with the constantly updated loss estimates and to take into account - in case of indicators of a "significantly increased" credit risk - the changed forecast period for calculating the expected loss.

With regard to the measurement of financial assets and, in particular, the identification of the "significant increase" in credit risk (a necessary and sufficient condition for the classification of the asset being measured in stage 2), the elements that - pursuant to the standard and its operational breakdown carried out by the Banca Finnat Euramerica Group - constitute the main determinants to be taken into consideration are as follows:

- Quantitative criteria:
    - e. if the counterparty's rating deteriorates by at least three classes compared to the value at the date of origin;
    - f. for exposures backed by collateral, where there is a 50% decrease in the value of the collateral compared with its value at the date of origin;
    - g. exposures with a past due date of more than 30 days (even partial) recognised at the report date in the monthly survey (or in the previous 5 monthly surveys) regardless of the counterparty and without tolerance thresholds;
    - h. on-demand loans with both of the following irregular trends:

1. presence of operating tension: average percentage of use of the credit line granted, calculated over the last 180 days, of more than 80%;
2. absence of changes in assets in the last 180 days.

- Qualitative criteria:
  d. forborne performing exposures in relation to a financial difficulty of the debtor;
  e. exposures with irregular trends monitored by the Credits Committee of the Bank;
  f. exposures to counterparties for which prejudicial information has been acquired. This requirement is to be considered valid also for prejudicial information relating to the guarantors.

A financial asset is considered non-performing and allocated to stage 3 if one or more events that have a negative effect on expected cash flows occurred. In particular, the observable data relating to the following events constitute evidence of impairment of the financial asset:

- significant financial difficulties of the debtor (also based on the financial statement analysis such as, for example, negative changes in the debt ratio and in the capacity to cover financial expenses);
- breach of contractual clauses (such as a default or past-due event of more than 90 days);
- classification in category "D - Defaulted" within the CSE outsourcing rating model;
- a lender having granted a concession to the debtor - for economic or contractual reasons relating to the debtor's financial difficulty - that the lender would not otherwise consider;
- disappearance of an active market for that financial asset because of financial difficulties;
- the purchase or issue of a financial asset at a deep discount that reflects the incurred credit losses;
- the debtor is likely to declare bankruptcy or be subject to another financial reorganisation.

A performing financial asset at the time of initial recognition and for which one or more of the above events occur must be considered non-performing and placed in stage 3; the allocation in this bucket envisages that:

- the allowance for doubtful receivables is determined as an amount equal to full lifetime expected credit losses of the financial asset;
- interest income is calculated based on the amortised cost i.e. gross book value less the allowance for doubtful receivables;
- the time value is determined, and the expected date of collection is estimated.

For these financial assets, the method for determining the loss is calculated in accordance with IFRS 9 and in line with the provisions of the credit regulations.

Once the allocation of exposures to the various stages of credit risk has been defined, the determination of expected credit losses (ECL) is carried out, at the level of individual transactions or security tranche, starting from the IRB/management approach, based on the parameters of Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD), on which appropriate corrective action is taken to ensure compliance with the requirements of IFRS 9.

The determination of the values and calculation methods are detailed in the appropriate Group Policy.

7. Assets/liabilities designated at fair value

The Group did not use the fair value option referred to in IFRS 9: therefore, the relevant asset and liability items in the statement of financial position and income statement are not shown in the financial statements as they are not measured.

A.3 - Information on transfers between portfolios of financial assets

According to the general rules envisaged by IFRS 9 on the reclassification of financial assets (with the exception of equities, for which no reclassification is permitted), reclassifications to other categories of financial assets are not permitted unless the entity modifies its business model for the management of financial assets. However, such cases are expected to be highly infrequent.

A.3.1 - A.3.2 - A.3.3 - No transfers were made between portfolios of financial assets during the year due to a change in the business model.

A.4 Information on fair value

A.4.1 - Levels 2 and 3 of fair value: valuation techniques and inputs used
A.4.2 - Processes and sensitivity of measurements
The techniques, valuation processes of the financial instruments and the methods for determining the fair value used by the Group are shown below.
The fair value of financial instruments is determined based on the prices acquired by the financial markets, in the case of instruments listed on active markets (Level 1), or on internal valuation models, in the case of all other financial instruments.
If the instrument is not listed on an active market, or if there is no regularly functioning market, i.e. the market does not feature a sufficient and ongoing number of transactions, bid-ask spread and a volatility that is not sufficiently curbed, the fair value of the financial instruments is generally determined based on the use of valuation techniques the purpose of which is to establish the price of a hypothetical independent transaction, motivated by normal market consideration, at the date of valuation.

Regarding the valuation techniques, the following are taken into account:

- if available, the prices of recent transactions involving similar instruments, suitably adjusted to reflect the changed market conditions and the technical differences between the valued instrument and the instrument selected as similar in nature (comparable approach);
- valuation models widely used by the financial community, which have proved over the years capable of producing reliable estimates of prices, with respect to the current market conditions (Mark-to-Model).

Financial instruments classified as Level 1 instruments include:

- stocks and bonds listed on active markets. The principal 'price source' of securities listed on regulated markets is the relevant stock exchange, and generally corresponds to the price published by the regulated market on which the security is negotiated. For financial instruments listed on the Italian Stock Exchange, the value is determined using the posted price;
- UCIs with official prices expressed by an active market; open-ended UCIs (including ETF) for which a price listed on an active market is available at the measurement date;
- foreign exchange spot transactions;
- derivatives for which prices are available on an active market (e.g., futures and options).

Lacking prices on an active market, the fair value of financial instruments is calculated according to the "comparable approach" (Level 2), based on the use of valuation models making use of parameters that can be directly observed on the market. In this case, the valuation is not based on the prices of the actual financial instruments being valued, but on prices or credit spreads taken from the official listings of substantially similar instruments, in terms of risk-yield factors, using a certain calculation method (pricing model). This approach translates into the search for transactions on the active markets involving instruments that, in terms of their risk factors, are comparable with the valued instrument.

Following is an overview of the valuation techniques used:

- the use of current market prices of other substantially similar instruments, if they are deemed to be highly comparable (based on the country and sector to which they belong, along with their rating, maturity and degree of seniority of the securities), such as to avoid any substantial alteration of the prices or the use of trading prices - with respect to the same financial instrument - concerning market transactions between independent counterparties;
- the use of prices of similar instruments, in terms of their calibration;
- discounted cash flow models;
- option pricing models.

Financial instruments classified as Level 2 instruments include:

- UCIs for which prices recorded in an inactive market whose values are deemed to be representative of fair value are available. If these prices are based on the NAV, this value, if available at the measurement date, may be taken into consideration for fair value purposes;
- bonds that are not traded on an active market, but which can be priced based on the prices of comparable securities, as inputs for a valuation model. The fair value of bonds without official prices expressed by an active market is calculated by using an appropriate credit spread, determined based on liquid financial instruments with similar features. Moreover, in the case of market transactions - concerning the same financial instrument - between independent counterparties account will be taken of the known trading price;
- OTC derivatives valued based on observable parameters and market models. Interest rate, exchange, share, inflation and commodity derivatives - if they are not traded on regulated markets - are known as Over the counter (OTC) instruments, i.e. instruments that are bilaterally negotiated with market counterparties, and their valuation is conducted based on specific pricing models, fed by inputs (such as rate, exchange and volatility curves) observed on the market.

Lastly, the determination of the fair value of certain types of financial instruments is based on valuation models that require the use of parameters that cannot be directly observed on the market and which, therefore, require estimates and assumptions by the valuer (Level 3).

Financial instruments classified as Level 3 instruments include:

- unlisted equities. Equity investments held at cost are also conventionally included among the Level 3 instruments;
- UCIs lacking prices expressed by a market (active and inactive) and similar listed securities. This category includes the open-ended UCIs whose last measured NAV is not reported near the measurement date and the closed-ended UCIs whose fair value is derived exclusively on the basis of the NAV. For these UCIs, the NAV used for measurement must prudentially be rectified to take into account any risk of not being able to carry out a transaction unless it is at prices that are significantly lower than the value of the assets represented by the NAV;
- bonds not listed on active markets, for which there are no comparable instruments, or which require the use of significant assumptions, such as the knowledge of trading prices between independent counterparties;
- OTC derivatives valued using non-market models, or market models based on parameters that cannot be observed on the market.

Level 3 instruments also include financial instruments priced by the Bank and the other Group companies based on internal valuation models using inputs that cannot be observed on the market and personal assumptions made by the valuer.

A.4.3 - Fair value hierarchy

With the introduction of IFRS 13, the rules for measuring the fair value previously included in different accounting principles were set out in a single document.
The fair value is defined as the price that is received for the sale of an asset or that would be paid for the transfer of a liability in an orderly transaction between market participants at the measurement date.

When measuring the fair value of a financial instrument, IFRS 13 refers to the concept of hierarchy of the measurement criteria used, which was at the time introduced by an amendment to IFRS 7 that required the company to classify the measurements based on a hierarchy of levels that reflects the significance of the inputs used in the measurement of financial instruments.

This classification aims to establish a hierarchy in terms of reliability of fair value depending on the degree of discretion applied by enterprises, giving priority to the use of parameters observable on the market reflecting the assumptions that market participants would use when pricing the asset/liability.

IFRS 13 identifies three different input levels:

- Level 1: inputs represented by (unadjusted) quoted prices in active markets - as defined by IFRS 13 - for assets and liabilities subject to measurement;
- Level 2: inputs other than quoted market prices set forth above, which are observable for the asset or liability, either directly (prices) or indirectly (derived from prices);
- Level 3: inputs that are unobservable inputs for the asset or liability subject to measurement.

The choice between these types is not optional but must be done in a hierarchical order since priority is given to official prices on active markets (level 1); in the absence of such inputs, we use valuation techniques based on parameters that cannot be observed on the market (level 2); with a lower and more discretionary priority, the fair value of assets and liabilities calculated with valuation techniques based on parameters that cannot be observed on the market (level 3).

The valuation method and as a result transfers among the levels of the fair value hierarchy of a financial instrument are altered only if there are significant changes in the market or subjective conditions of the issuer of the financial instrument.

IFRS 13 contemplates that, as already indicated by IFRS 7, the instruments at amortised cost are provided with fair value disclosure.

Within the Group, the following approaches were identified for calculating the fair value:

Assets at amortised cost
For financial assets recognised in the financial statements at amortised cost, classified in the accounting category of "Financial assets at amortised cost" (due from banks and loans to customers) in particular:

- for medium/long-term performing loans (mainly mortgages and leases), the fair value is determined on the basis of cash flows, suitably adjusted for expected losses, on the basis of the PD and LGD parameters. These cash flows are discounted on the basis of a market interest rate adjusted to take account of a premium deemed to express risks and uncertainties;
- for "non-performing" loans (bad loans, unlikely to pay, past due), the fair value is assumed to be equal to the net book value. In this regard, it should be noted that the market for non-performing loans is characterised by a significant illiquidity and a high dispersion of prices according to the specific characteristics of the loans. The

absence of observable parameters that could be used as a reference for measuring the fair value of exposures comparable to those being measured could therefore lead to a wide range of possible fair values; for this reason, for the purposes of financial reporting, the fair value of non-performing loans is shown as the book value;

- for debt securities classified in the "Due from banks or Loans to customers" portfolio or "Securities issued" portfolio, the fair value was determined by using prices obtained on active markets or by using valuation models, as described in the previous paragraph "Fair value levels 2 and 3: valuation techniques and inputs used";
- the fair value of loans to customers and due from banks with undefined contractual expiry, in that they are on demand, is represented by the nominal value of the receivables net of the risk component represented by the calculated probability of default, in accordance with what was previously defined.

Due to banks and customers

They are entered at their nominal value that is usually equal to the amount received initially by the Bank. This value can be reasonably approximated to the fair value in that the Bank can meet its payables thanks to high capital instruments.

Securities issued

The item pertains to bonds issued by the Bank and entered at amortised cost. The fair value is calculated by using a model that considers the loan indexation parameter and a target spread.

A.4.4 Other information

The Group does not use the exception on the compensating valuation of groups of financial assets and liabilities referred to in paragraph 48 of IFRS 13.

Quantitative information

A.4.5 - Fair value hierarchy

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

Assets/liabilities measured at fair value	31/12/2020			31/12/2019		
	L1	L2	L3	L1	L2	L3
1. Financial assets at fair value through profit or loss	2,660	23,994	1,213	53,468	24,724	1,345
a) financial assets held for trading	2,021	4,826	-	52,555	5,141	-
b) financial assets at fair value	-	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	639	19,168	1,213	913	19,583	1,345
2. Financial assets at fair value through other comprehensive income	330,147	-	11,678	355,833	-	10,833
3. Hedging derivatives	-	-	-	-	-	-
4. Property and equipment	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	332,807	23,994	12,891	409,301	24,724	12,178
1. Financial liabilities held for trading	-	40	-	-	152	-
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
Total	-	40	-	-	152	-

Key:
L1 = Level 1; L2 = Level 2; L3 = Level 3

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

	Financial assets at fair value through profit or loss				Financial assets at fair value through other comprehensive income	Hedging derivatives	Property and equipment	Intangible assets
	Total	Of which: a) Financial assets held for trading	Of which: b) Financial assets designated at fair value	Of which: c) Other financial assets mandatorily measured at fair value				
1. Initial amount	1,345	-	-	1,345	10,833	-	-	-
2. Increases	3	-	-	3	1,023	-	-	-
2.1. Purchases	3	-	-	3	-	-	-	-
2.2. Gains recognised in:	-	-	-	-	1,023	-	-	-
2.2.1. Income Statement	-	-	-	-	-	-	-	-
- of which capital gains	-	-	-	-	-	-	-	-
2.2.2. Shareholders' equity	-	X	X	X	1,023	-	-	-
2.3. Transfer from other levels	-	-	-	-	-	-	-	-
2.4. Other increases	-	-	-	-	-	-	-	-
3. Decreases	135	-	-	135	178	-	-	-
3.1. Sales	-	-	-	-	-	-	-	-
3.2. Reimbursements	-	-	-	-	128	-	-	-
3.3. Losses recognised in:	135	-	-	135	50	-	-	-
3.3.1. Income Statement	135	-	-	135	-	-	-	-
- of which capital losses	135	-	-	135	-	-	-	-
3.3.2. Shareholders' equity	-	X	X	X	50	-	-	-
3.4. Transfers to other levels	-	-	-	-	-	-	-	-
3.5. Other decreases	-	-	-	-	-	-	-	-
4. Final amount	1,213	-	-	1,213	11,678	-	-	-

Item 2.2.2. Gains recognised in Shareholders' equity of Financial assets at fair value through other comprehensive income amounting to 1,023 thousand euros concerns the valuation of Real Estate Roma Olgiata shares for 45 thousand euros and Fedeuram Investimenti's shares for 978 thousand euros.

Item 3.2. Reimbursements of 128 thousand euros relate to the Real Estate Roma Olgiata's shares and relate to the partial repayment of a capital payment.

Item 3.3.1. Losses recognised in: Income Statement concerns, for the Assets mandatorily at fair value, the capital loss recorded on the Apple Fund for 117 thousand euros and on the Carige shares held through the FITD Voluntary Scheme for 18 thousand euros.

Item 3.3.2. Losses recognised in: Shareholders' equity of 50 thousand euros relates to the write-down of the CSE shares.

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

At the reporting date under review, the item in question has no balances.

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

Assets/Liabilities not measured at fair value or measured at fair value on a non-recurring basis	31/12/2020				31/12/2019			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets at amortised cost	1,378,338	863,624	-	536,885	1,548,092	1,000,760	-	569,487
2. Investment property	-	-	-	-	-	-	-	-
3. Non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-	-
Total	1,378,338	863,624	-	536,885	1,548,092	1,000,760	-	569,487
1. Financial liabilities at amortised cost	1,552,963	-	-	1,552,963	1,815,357	-	-	1,815,320
2. Liabilities associated to discontinued operations	-	-	-	-	-	-	-	-
Total	1,552,963	-	-	1,552,963	1,815,357	-	-	1,815,320

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

The Bank and the other Group companies have never carried out fair value measurements on a non-recurring basis for assets and liabilities.

A.5 Report on the so-called "day one profit/loss"

The Bank and the other Group companies have not recorded in the financial year under review any positive/negative items arising from the initial fair value measurement of financial instruments.

Part B - Information on the statement of financial position

ASSETS

Section 1 - Cash and cash equivalents - Item 10

1.1 Cash and cash equivalents: breakdown

	Total 31/12/2020	Total 31/12/2019
a) Cash	548	544
b) Demand deposits at central banks	163	155
Total	711	699

Section 2 - Financial assets at fair value through profit or loss - Item 20

2.1 Financial assets held for trading: breakdown by product

Items/Amounts	Total 31/12/2020			Total 31/12/2019		
	L1	L2	L3	L1	L2	L3
A. Cash assets						
1. Debt securities	553	-	-	50,470	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	553	-	-	50,470	-	-
2. Equities	1,341	-	-	1,372	-	-
3. UCI units	52	4,824	-	619	5,060	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	1,946	4,824	-	52,461	5,060	-
B. Derivatives						
1. Financial derivatives	75	2	-	94	81	-
1.1 held for trading	75	2	-	94	81	-
1.2 related to the fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 held for trading	-	-	-	-	-	-
2.2 related to the fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total B	75	2	-	94	81	-
Total (A+B)	2,021	4,826	-	52,555	5,141	-

Key:
L1 = Level 1; L2 = Level 2; L3 = Level 3

The financial assets held for trading refer exclusively to the Bank and amounted to 6,847 thousand euros. The balance at 31 December 2019 amounted to 57,696 thousand euros.

Item "A.1 Debt securities" amounting to 553 thousand euros (50,470 thousand euros at 31 December 2019) consists of bonds of 549 thousand euros present in Level 1.

Item "A.3. UCI units" amounting to 4,876 thousand euros (5,679 thousand euros at 31 December 2019) includes in Level 1: New Millennium Funds of 29 thousand euros, QF Immobilium Fund of 22 thousand euros and other funds of 1 thousand euros; in Level 2: New Millennium Funds units of 4,824 thousand euros.

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

Items/Amounts	Total 31/12/2020	Total 31/12/2019
A. Cash assets		
1. Debt securities	553	50,470
a) Central Banks	-	-
b) Public administrations	4	50,084
c) Banks	13	-
d) Other financial institutions	-	-
- of which: insurance companies	-	-
e) Non financial institutions	536	386
2. Equities	1,341	1,372
a) Banks	-	-
b) Other financial institutions	363	320
- of which: insurance companies	232	230
c) Non financial institutions	978	1052
d) Other issuers	-	-
3. UCI units	4,876	5,679
4. Loans	-	-
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial institutions	-	-
- of which: insurance companies	-	-
e) Non financial institutions	-	-
f) Households	-	-
Total A	6,770	57,521
B. Derivatives		
a) Central counterparties	-	-
b) Other	77	175
Total B	77	175
Total (A + B)	6,847	57,696

Item "UCI units" includes: 1,292 thousand euros of bond funds, 3,562 thousand euros of equity funds and 22 thousand euros of property funds.

2.5 Other financial assets mandatorily measured at fair value: breakdown by product

Items/Amounts	31/12/2020			31/12/2019		
	L1	L2	L3	L1	L2	L3
1. Debt securities	-	-	-	-	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equities	-	-	15	-	-	30
3. UCI units	639	19,168	1,198	913	19,583	1,315
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total	639	19,168	1,213	913	19,583	1,345

Key:
L1 = Level 1; L2 = Level 2; L3 = Level 3

The item Financial assets mandatorily measured at fair value amount to 21,020 thousand euros (21,841 thousand euros at 31 December 2019) and includes under equities (level 3) the Carige shares held by the Bank through the Voluntary Scheme of the FITD for 12 thousand euros and the Astaldi equity financial instrument of 3 thousand euros, again owned by the Bank; the UCI units, level 1 includes the shares of the units owned by the subsidiary InvestiRE SGR S.p.A.; level 2 includes units owned by the Bank (FIP Fund for 15,455 thousand euros, New Millennium funds for 2,770 thousand euros, Therma fund for 943 thousand euros) and level 3 includes the Apple Fund units for 1,198 thousand euros, again owned by the Bank.

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

Items/Amounts	31/12/2020	31/12/2019
1. Equities	15	30
of which: banks	12	30
of which: other financial institutions	-	-
of which: non financial institutions	3	-
2. Debt securities	-	-
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial institutions	-	-
of which: insurance companies	-	-
e) Non financial institutions	-	-
3. UCI units	21,005	21,811
4. Loans	-	-
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial institutions	-	-
of which: insurance companies	-	-
e) Non financial institutions	-	-
f) Households	-	-
Total	21,020	21,841

Section 3 - Financial assets at fair value through other comprehensive income - Item 30

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

Items/Amounts	31/12/2020			31/12/2019		
	L1	L2	L3	L1	L2	L3
1. Debt securities	329,716	-	-	355,402	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	329,716	-	-	355,402	-	-
2. Equities	431	-	11,678	431	-	10,833
3. Loans	-	-	-	-	-	-
Total	330,147	-	11,678	355,833	-	10,833

Key:
L1 = Level 1; L2 = Level 2; L3 = Level 3

Financial assets at fair value through other comprehensive income totalled 341,825 thousand euros (366,666 thousand euros at 31 December 2019).

Item 1. Debt securities - Level 1 - consists mainly of Government Bonds held by the Bank. At 31 December 2020, total net impairment losses on credit risk on these securities amounted to 100 thousand euros. The value is recognised in item 110. Valuation reserves (after taxes) instead of as an adjustment to this item.
In the year in question, value recoveries amounting to 399 thousand euros were carried out.

Item 2. Equities consists of an equity investment of one thousand euros (Level 3) owned by InvestiRE SGR and of the following strategic investments of the Bank:

- Level 1: Net Insurance S.p.A. (431 thousand euros including the positive valuation reserve equal to 140 thousand euros);
- Level 3: Fideuram Investimenti SGR S.p.A. (1,788 thousand euros including the positive valuation reserve equal to 978 thousand euros), SIA S.p.A. (6,250 thousand euros including the positive valuation reserve equal to 5,130 thousand euros), CSE Consorzio Servizi Bancari S.r.l. (2,457 thousand euros including the negative valuation reserve equal to 47 thousand euros), SIT S.p.A. (15 thousand euros) and Real Estate Roma Olgiata S.r.l. (1,167 thousand euros including the negative valuation reserve equal to 470 thousand euros).

For the inclusion of equities in this portfolio, the irrevocable option was exercised upon initial recognition.

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

Items/Amounts	31/12/2020	31/12/2019
1. Debt securities	329,716	355,402
a) Central Banks	-	-
b) Public administrations	286,601	314,138
c) Banks	35,117	39,058
d) Other financial institutions	7,998	-
of which: insurance companies	-	-
e) Non financial institutions	-	2,206
2. Equities	12,109	11,264
a) Banks	1	1
b) Other issuers:	12,108	11,263
- other financial institutions	2,219	1,241
of which: insurance companies	431	431
- non financial institutions	9,889	10,022
- other	-	-
3. Loans	-	-
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial institutions	-	-
of which: insurance companies	-	-
e) Non financial institutions	-	-
f) Households	-	-
Total	341,825	366,666

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

	Gross value				Total impairment losses			Total partial write-offs *
	Stage 1	of which: instruments with low credit risk	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Debt securities	329,816	-	-	-	100	-	-	-
Loans	-	-	-	-	-	-	-	-
Total 31/12/2020	329,816	-	-	-	100	-	-	-
Total 31/12/2019	353,909	-	2,088	-	592	3	-	-
of which: acquired or originated impaired financial assets	X	X	-	-	X	-	-	-

(*) Value to be reported for disclosure purposes.

The gross amount corresponds to the book value solely of Debt securities increased by the total impairment losses.

3.3a Financial assets at fair value through other comprehensive income subject to COVID-19 support measures: gross value and total impairment losses

At 31 December 2020 there were no financial assets at fair value through other comprehensive income subject to COVID-19 support measures.

Section 4 - Financial assets at amortised cost - Item 40

4.1 Financial assets at amortised cost: breakdown by product of loans and receivable with banks

Type of transactions/Amounts	Total 31/12/2020						Total 31/12/2019					
	Book value			Fair value			Book value			Fair value		
	Stage 1 and 2	Stage 3	of which: acquired or originated impaired	L1	L2	L3	Stage 1 and 2	Stage 3	of which: acquired or originated impaired	L1	L2	L3
A. Due from Central Banks	-	-	-	-	-	-	-	-	-	-	-	-
1. Time deposits	-	-	-	X	X	X	-	-	-		X	X
2. Compulsory reserve	-	-	-	X	X	X	-	-	-	X	X	X
3. Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	-	-	-	X	X	X	-	-	-	X	X	X
B. Due from banks	124,563	-	-	-	-	124,563	92,968	-	-	-	-	92,968
1. Loans	124,563	-	-	-	-	124,563	92,968	-	-	-	-	92,968
1.1. Current accounts and demand deposits	71,944	-	-	X	X	X	68,980	-	-	X	X	X
1.2. Time deposits	42,652	-	-	X	X	X	6,727	-	-	X	X	X
1.3. Other loans:	9,967	-	-	X	X	X	17,261	-	-	X	X	X
- Reverse repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
- Lease financing	-	-	-	X	X	X	17,261	-	-	X	X	X
- Other	9,967	-	-	X	X	X	-	-	-	X	X	X
2. Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
2.1. Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Other debt securities	-	-	-	-	-	-	-	-	-	-	-	-
Total	124,563	-	-	-	-	124,563	92,968	-	-	-	-	92,968

Key:
L1 = Level 1; L2 = Level 2; L3 = Level 3

The item "loans and receivables with banks" totalled 124,563 thousand euros (92,968 thousand euros at 31 December 2019).

Item B.1.2. Time deposits of 42,652 thousand euros refer to the Bank and relates to a time deposit with maturity on 4 January 2021 for 35,999 thousand euros and to the Compulsory reserve deposited by the Bank with Depobank S.p.A. for 6,653 thousand euros (both amounts after collective write-down). At 31 December 2019, the Compulsory reserve amounted to 6,727 thousand euros.

Item B.1.3 Other loans relates to guarantee margins on derivatives referred to the Bank.

At 31 December 2020, total net losses on credit risk with banks amounted to 90 thousand euros (of which 58 thousand euros were attributable to the Bank). In the year in question, net impairment losses amounting to 72 thousand euros were recognised.

4.2 Financial assets at amortised cost: breakdown by product of loans and receivables with customers

Type of transactions/Amounts	Total 31/12/2020						Total 31/12/2019					
	Book value			Fair value			Book value			Fair value		
	Stage 1 and 2	Stage 3	of which: acquired or originated impaired	L1	L2	L3	Stage 1 and 2	Stage 3	of which: acquired or originated impaired	L1	L2	L3
1. Loans	373,355	21,780	-	-	-	412,322	444,922	16,475	-	-	-	476,519
1.1. Current accounts	164,423	562	-	X	X	X	169,237	575	-	X	X	X
1.2. Reverse repurchase agreements	22,602	-	-	X	X	X	40,557	-	-	X	X	X
1.3. Mortgages	160,965	9,410	-	X	X	X	175,869	8,838	-	X	X	X
1.4. Credit card loans, personal loans and transfers of one fifth of salaries	-	-	-	X	X	X	-	-	-	X	X	X
1.5. Lease financing	-	-	-	X	X	X	-	-	-	X	X	X
1.6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
1.7. Other loans	25,365	11,808	-	X	X	X	59,259	7,062	-	X	X	X
2. Debt securities	858,640	-	-	863,624	-	-	993,727	-	-	1,000,760	-	-
2.1. Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Other debt securities	858,640	-	-	863,624	-	-	993,727	-	-	1,000,760	-	-
Total	1,231,995	21,780	-	863,624	-	412,322	1,438,649	16,475	-	1,000,760	-	476,519

Key:
L1 = Level 1; L2 = Level 2; L3 = Level 3

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Loans to customers totalled 1,253,775 thousand euros (1,455,124 thousand euros at 31 December 2019).

At the reporting date of these Financial Statements, the items relating to current accounts, mortgages and other loans include non-performing assets (Bucket 3) relating to the Parent Company totalling 47,779 thousand euros (21,523 thousand euros after the write-downs), comprising:

- bad loans totalling 34,097 thousand euros (11,518 thousand euros net of the write-downs) relating to the following positions:
    - 4,572 thousand euros (946 thousand euros net of the write-down) for the residual amount of a mortgage terminated on 8 July 2011. The transaction is secured by a first mortgage on property, the value of which - supported by a special expert appraisal report covers the entire value of the net exposure;
    - 15,249 thousand euros (3,009 thousand euros net of the write-down) relating to a receivable for a loan due from the company Bio-On. The estimate of the presumed realisable value of the receivable remained unchanged with respect to that calculated for the purposes of the 2019 financial statements.
    - 8,804 thousand euros (5,912 thousand euros net of the write-down) referring to a mortgage terminated on 24 December 2020 backed by first degree mortgage guarantees on real estate and other real guarantees that largely cover the value of the net exposure;
    - 5,472 thousand euros relating for 1,800 thousand euros to trade receivables (223 thousand euros net of the write-downs) and for 3,672 thousand euros (1,428 thousand euros net of the write-downs) and to receivables relating to cash loans.

    The line-by-line write-downs carried out therefore totalled 22,579 thousand euros (including 1,578 thousand euros referring to trade receivables), with a total coverage rate of 66%.

- unlikely to pay totalling 13,488 thousand euros (9,832 thousand euros net of the write-downs) comprising:
    - overdraft facilities amounting to 608 thousand euros (436 thousand euros net of the write-down);
    - mortgages for an amount of 12,725 thousand euros, of which 3,309 thousand euros of overdue instalments and 9,416 thousand euros of capital to mature (9,363 thousand euros net of the write-down);
    - trade receivables for 155 thousand euros (33 thousand euros net of the write-down).

    The line-by-line write-downs totalled 3,656 thousand euros (including 122 thousand euros referring to trade receivables);
- other positions expired or past due for over 90 days totalling 194 thousand euros (173 thousand euros net of the write-downs).

At 31 December 2020, the Bank had 36 "forborne" exposures of which:

- 14 non-performing positions totalling 37,105 thousand euros (18,456 thousand euros after write-downs), of which 3 positions included among bad loans of 24,194 thousand euros and 11 positions included among unlikely to pay of 12,911 thousand euros.
- 22 performing positions totalling 12,887 thousand euros.

At 31 December 2020, the Bank calculated the write-down of the portfolio for performing loans to customers in Bucket 1 and Bucket 2 relating to cash loans. This write-down amounted to 2,741 thousand euros, higher than the allocations made for this purpose through 31 December 2019 (equal to 2,299 thousand euros).

In 2020, the Bank recorded in the income statement 122 thousand euros for portfolio value recoveries on government bonds; it also recorded 5,663 thousand euros for net losses on loans to customers broken down as follows: 442 thousand euros for portfolio impairment losses, 259 thousand euros for specific value recoveries, 5,380 thousand euros for specific impairment losses, 100 thousand euros for cancellation losses.

At 31 December 2020, the allowance for doubtful loans to Bank customers excluding securities, totalled 28,997 thousand euros of which 26,256 thousand euros on an itemised basis and 2,741 thousand euros for portfolio impairment losses.

With regard to other Group companies, the itemised allowance for doubtful loans (Bucket 3) at 31 December 2020 amounted to 881 thousand euros against gross non-performing loans of 1,138 thousand euros for Finnat Fiduciaria S.p.A. and to 2,080 thousand euros against gross non-performing loans of 2,080 thousand for InvestiRE SGR S.p.A.
Whereas portfolio impairment losses relating only to loans to customers (Bucket 1 and Bucket 2) at 31 December 2020 amounted to 26 thousand euros for InvestiRE SGR S.p.A. and to a total of 10 thousand euros for the other Group companies. In the financial year in question, subsidiaries recognised net value recoveries on loans to customers in the income statement of 52 thousand euros.

With regard to the Bank, item 1.7. Other loans include, in addition to non-performing financial loans and impaired trade receivables (Bucket 3) totalling 11,551 thousand euros (already commented on as impaired assets), Deposits for margins with Cassa di Compensazione e Garanzia and ICE Clear Europe Ltd for 15,269 thousand euros (Bucket 1), trade receivables (Bucket 2) for 3,561 thousand euros and sublease receivables for 41 thousand euros (Bucket 1). The item also includes the trade receivables of the other group companies.

Item 2.2 Other debt securities refers exclusively to Government Bonds of the Bank. The total write-down of the portfolio amounted to 167 thousand euros after utilisation for sale of 218 thousand euros. In the year, value recoveries amounting to 122 thousand euros were carried out.

A breakdown of "Time distribution of loans to customers by residual duration" can be found under Part E Section 1.4 - Liquidity risk.

The following table provides the information about contracts with customers required by IFRS 15.

Assets/liabilities deriving from contracts with customers not debited in the current accounts (IFRS 15)

	Closing balances at 31/12/2020 net of impairment losses	Closing balances at 31/12/2019 net of impairment losses
Loans to customers for activities of:		
- advisory and corporate finance	2,461	2,364
- specialist	608	969
- placement	792	773
- management	1,238	524
- collective management	7,962	27,932
- services to listed issuers (SEQ and equity research)	68	100
- other services	2,360	2,744
Total receivables before write-downs	15,489	35,406
Total line by line impairment losses	(4,662)	(4,922)
Total collective impairment losses	(260)	(240)
Total receivables after write-downs	10,567	30,244
Liabilities deriving from contracts with customers		
- deferred income on issued invoices	(137)	(215)

Receivables for assets deriving from contracts with customers, pursuant to the previous table are included in item 1.7. Other loans. The impairment losses on an itemised basis at 31 December 2020 on these loans amounted to 4,662 thousand euros and pertain to the Bank for 1,701 thousand euros (of which 96 thousand euros relating to the specialist activity, 1,595 thousand euros to advisory and corporate finance activity and 10 thousand euros relating to other services); to InvestiRE S.G.R. S.p.A. for 2,080 thousand euros and Finnat Fiduciaria S.p.A. for 881 thousand euros.

The Assets recognised in view of costs to be recovered are not indicated - as required by IFRS 15 Paragraph 128 - because the amounts are small.

4.3 Financial assets at amortised cost: breakdown by debtor/issuer of loans and receivables with customers

Type of transactions/Amounts	Total 31/12/2020			Total 31/12/2019		
	Stage 1 and 2	Stage 3	of which: acquired or originated impaired assets	Stage 1 and 2	Stage 3	of which: acquired or originated impaired assets
1. Debt securities	858,640	-	-	993,727	-	-
a) Public administrations	858,640	-	-	993,727	-	-
b) Other financial institutions	-	-	-	-	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non financial institutions	-	-	-	-	-	-
2. Loans to	373,355	21,780	-	444,922	16,475	-
a) Public administrations	-	-	-	-	-	-
b) Other financial institutions	82,257	141	-	147,987	1,222	-
of which: insurance companies	-	-	-	-	-	-
c) Non financial institutions	147,650	18,316	-	162,329	11,121	-
d) Households	143,448	3,323	-	134,606	4,132	-
Total	1,231,995	21,780	-	1,438,649	16,475	-

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

	Gross value				Total impairment losses			Total partial write-offs (*)
	Stage 1	of which: instruments with low credit risk	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Debt securities	858,807	-	-	-	167	-	-	-
Loans	438,195	-	62,590	50,997	1,350	1,517	29,217	-
Total 31/12/2020	1,297,002	-	62,590	50,997	1,517	1,517	29,217	-
Total 31/12/2019	1,437,722	-	96,792	40,843	1,431	1,466	24,368	-
of which: acquired or originated impaired financial assets	X	X	-	-	X	-	-	-

(*) Value to be reported for disclosure purposes.

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

	Gross value				Total impairment losses			Total partial write-offs (*)
	Stage 1	of which: instruments with low credit risk	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
1. Loans subject to forbearance compliant with GL	7,279	-	11,384	-	34	560	-	-
2. Loans subject to other forbearance measures	-	-	-	-	-	-	-	-
3. New loans	12,030	-	25	-	34	-	-	-
Total 31/12/2020	19,309	-	11,409	-	68	560	-	-
Total 31/12/2019								

(*) Value to be reported for disclosure purposes.

This table, exclusively pertaining to the Bank, shows the details of the gross value and of the total impairment losses broken down by risk stages, by loans, subject to "moratoriums" or other concession measures in place at the statement of financial position date, or which constitute new liquidity granted through public guarantee mechanisms.

The line "Loans subject to forbearance compliant with GL" shows the information relating to the financial assets subject to the moratorium that fall within the scope of the "Guidelines on legislative and non legislative moratoria on loan repayments applied in the light of the COVID 19 crisis" published by the EBA (EBA/GL/2020/02) and subsequent amendments and additions. At 31 December 2020 there are 18 positions subject to forbearance compliant with the GL for a total exposure of 18,663 thousand euros.

The line "New loans" includes 21 new loans granted with the support of public guarantees for a total exposure of 12,055 thousand euros.

Section 7 - Equity investments - Item 70

7.1 Equity investments: information on investment relationships

Company name	Registered office	Place of business	Type of relationship	Investment relationship		Voting rights %
				Investor company	Ownership %	
A. Companies subject to joint control						
1. REDO SGR S.p.A.	Milan	Milan	Joint venture	InvestiRE SGR	20.00	
2. Liphe S.p.A.	Bologna	Bologna	Joint venture	Banca Finnat	10.00	
3. Aldia S.p.A.	Bologna	Bologna	Joint venture	Banca Finnat	10.00	
B. Companies subject to significant influence						
1. Prévira Invest SIM S.p.A. in liquidation	Rome	Rome	Significant influence	Banca Finnat	20.00	
2. Imprebanca S.p.A.	Rome	Rome	Significant influence	Banca Finnat	20.00	

The share also represents the percentage of voting rights at the shareholders' meetings.

The item at 31 December 2020 amounts to 10,694 thousand euros (11,173 thousand euros at 31 December 2019).

7.2 Individually material equity investments: book value, fair value and dividends received

7.3 Individually material equity investments: financial information

At 31 December 2020, the Group did not hold individually material equity investments in associated companies.

7.4 Individually immaterial equity investments: financial information (1 of 2)

Company name	Book value of the equity investments	Total assets	Total liabilities	Total revenues	Profit (loss) from continuing operations before taxes
Companies subject to joint control	4,582	5,866	575	704	(740)
Companies subject to significant influence	6,112	61,777	53,417	1,129	89

Data referred to the latest approved available situations.

7.4 Individually immaterial equity investments: financial information (continuation 2 of 2)

Company name	Profit (loss) from discontinued operations after taxes	Profit (Loss) for the year (1)	Other income items after tax (2)	Comprehensive income (3) = (1) + (2)
Companies subject to joint control	-	(740)	-	(740)
Companies subject to significant influence	-	89	20	109

The posted data are shown cumulatively and referred to the shareholding percentage held by the Group.

7.5 Equity investments: annual changes

	Total 31/12/2020	Total 31/12/2019
A. Initial amount	11,173	6,400
B. Increases	53	14,515
B.1 Purchases	-	14,427
B.2 Value recoveries	-	-
B.3 Revaluations	-	-
B.4 Other changes	53	88
C. Decreases	532	9,742
C.1 Sales	333	7,667
C.2 Impairment losses	73	1,558
C.3 Write-downs	88	86
C.4 Other changes	38	431
D. Final amount	10,694	11,173
E. Total revaluations	-	-
F. Total impairment losses	73	1,558

Item C.2 Impairment losses refers to the impairment applied on the associated company Imprebanca S.p.A. for 73 thousand euros.

Item C.1 Sales relates to the sale to third parties by the subsidiary InvestiRE SGR S.p.A. of 2.56% of the investment held in REDO SGR S.p.A..

Item C.3 Write-downs concerns the loss recognised on the consolidation of REDO SGR S.p.A.

Section 9 - Property, equipment and investment property - Item 90

9.1 Property and equipment used in operation: breakdown of assets measured at cost

Assets/amounts	Total 31/12/2020	Total 31/12/2019
1. Owned assets	4,338	4,635
a) land	1,308	1,308
b) buildings	1,873	2,010
c) furniture	770	821
d) electronic equipment	371	485
e) other	16	11
2. Rights of use acquired through leases	13,561	15,953
a) land	-	-
b) buildings	12,968	15,423
c) furniture	-	-
d) electronic equipment	19	37
e) other	574	493
Total	17,899	20,588
of which: obtained through enforcement of guarantees received	-	-

Point 2 of the table above shows the rights of use relating to lease agreements, as required by the accounting standard IFRS 16.

9.6 Property and equipment used in operation: annual changes

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Gross initial carrying amount	1,308	24,034	2,989	5,290	1,215	34,836
A.1 Total net adjustment	-	6,601	2,168	4,768	711	14,248
A.2 Net initial carrying amount	1,308	17,433	821	522	504	20,588
B. Increases	-	336	13	75	371	795
B.1 Purchases	-	336	13	68	328	745
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Value recoveries	-	-	-	-	-	-
B.4 Positive changes in fair value allocated to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Transfers from properties held for investment	-	-	X	X	X	-
B.7 Other changes	-	-	-	7	43	50
C. Decreases	-	2,928	64	207	285	3,477
C.1 Sales	-	-	-	-	54	54
C.2 Depreciation	-	2,928	64	200	231	3,423
C.3 Net losses on impairment allocated to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Negative changes in fair value allocated to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) investment property	-	-	X	X	X	-
b) non-current assets held for sale and discontinued operations	-	-	-	-	-	-
C.7 Other changes	-	-	-	7	-	7
D. Net final amount	1,308	14,841	770	390	590	17,899
D.1 Total net adjustment	-	9,529	2,232	4,975	888	17,624
D.2 Final carrying amount	1,308	24,370	3,002	5,365	1,478	35,523
E. Valuation at cost						

As required by Circular no. 262, the table of changes in tangible assets relating solely to rights of use is reported below.

IFRS 16 - Property and equipment used in operation: annual changes

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Gross initial carrying amount	-	18,209	-	56	685	18,950
A.1 Total net adjustment	-	2,786	-	19	192	2,997
A.2 Net initial carrying amount	-	15,423	-	37	493	15,953
B. Increases	-	336	-	-	350	686
B.1 Purchases	-	336	-	-	307	643
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Value recoveries	-	-	-	-	-	-
B.4 Positive changes in fair value allocated to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Transfers from properties held for investment	-	-	X	X	X	-
B.7 Other changes	-	-	-	-	43	43
C. Decreases	-	2,791	-	18	269	3,078
C.1 Sales	-	-	-	-	54	54
C.2 Depreciation	-	2,791	-	18	215	3,024
C.3 Net losses on impairment allocated to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Negative changes in fair value allocated to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) investment property	-	-	X	X	X	-
b) non-current assets held for sale and discontinued operations	-	-	-	-	-	-
C.7 Other changes	-	-	-	-	-	-
D. Net final amount	-	12,968	-	19	574	13,561
D.1 Total net adjustment	-	5,577	-	37	407	6,021
D.2 Final carrying amount	-	18,545	-	56	981	19,582
E. Valuation at cost						

Section 10 - Intangible assets - Item 100

10.1 Intangible assets: breakdown by asset

Assets/Amounts	Total 31/12/2020		Total 31/12/2019	
	Definite life	Indefinite life	Definite life	Indefinite life
A.1 Goodwill	X	28,129	X	28,129
A.1.1 pertaining to the Group	X	14,260	X	14,260
A.1.2 pertaining to minority interests	X	13,869	X	13,869
A.2 Other intangible assets	315	2,726	441	2,726
A.2.1 Assets measured at cost:	315	2,726	441	2,726
a) Internally generated intangible assets	-	-	-	-
b) Other assets	315	2,726	441	2,726
A.2.2 Assets measured at fair value:	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	315	30,855	441	30,855

Item A.1 Goodwill amounting to 28,129 thousand euros refers:

- for 300 thousand euros to a part of the goodwill resulting from the merger in 2003 of Banca Finnat Euramerica S.p.A. into Terme Demaniali di Acqui S.p.A.
- 27,829 thousand euros to goodwill recorded by the subsidiary InvestiRE SGR S.p.A. following the merger by incorporation in 2015, of Beni Stabili Gestioni SGR S.p.A. and Polaris RE SGR S.p.A. The value of goodwill was reduced in the 2019 financial statements by an amount of 9,600 thousand euros, corresponding to the portion relating to the business unit transferred to the associated company REDO SGR S.p.A.

  The adequacy assessment was based on the estimate of the projected cash flows to be discounted according to the Discounted Free Cash Flow to the Firm method, adopted taking into account both the characteristics of the business and the current and prospective situation of the company. It should be noted that the goodwill is attributable to the Cash Generating Unit CGU "Asset Management - Real Estate Fund Management" which coincides with the activity carried out by InvestiRE SGR.

  The internal experts of InvestiRE SGR S.p.A., on the basis of the forecasts developed to take into account the estimated impacts of the Covid-19 pandemic with respect to the business plan approved by the Board of Directors, with the support of the internal specialists of the Parent Company, set up the impairment test to assess whether or not it is necessary to adjust goodwill.

  The definitive updated parameters of the Group to be used as assumptions on which the impairment calculation is based are summarised in a document for internal use "Measurement methodologies and Impairment test", approved by the competent decision-making bodies of the Bank autonomously and in advance with respect to the time of approval of the financial statements data.

  At 31 December 2020, for the purposes of discounting the cash flows and the terminal value, a rate representing the weighted average cost of the capital invested in the Company (WACC) which, in this specific case, matches the cost of "Ke" capital, inasmuch as InvestiRE SGR S.p.A. is characterised by the current and expected absence of financial payables. The financial parameters used to calculate the WACC were defined on the basis of average market values, measured also by sample testing comparable entities; moreover, a period of explicit projection of 3 years was used, and thereafter, prudentially, no growth rates were applied: the prospective data used in the measurement at 31 December 2020 therefore refer to the 2021-2023 projections prepared by the Management of the SGR. The WACC thus determined is 5.60%.

The model for determining the equity value was lastly subjected to sensitivity analysis in order to appreciate the change of the results obtained as the adopted measurement parameters change. The analyses conducted did not bring to light any indications of impairment with reference to goodwill, not even based on a "stress test" approach, using a discount rate "Ke" (+/-50 bps).

Item A.2 "Other intangible assets - Indefinite life" consists of the positive consolidation differences of the following companies:

- Finnat Fiduciaria S.p.A., 984 thousand euros;
- InvestiRE SGR S.p.A., 1,693 thousand euros.

As it regards an intangible asset with indefinite useful life, an impairment test was carried out in accordance with the provisions of IAS 36. This evaluation did not show any loss in value to record in the income statement.

In view of the option envisaged by IFRS 16.4, the Group decided not to apply the standard to any operating leases on intangible assets. Therefore, the item does not include rights of use acquired under operating leases (as lessee) and relating to the use of an intangible asset.

10.2 Intangible assets: annual changes

	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total
		DEF	INDEF	DEF	INDEF	
A. Initial amount	28,129	-	-	4,617	3,710	36,456
A.1 Total net adjustment	-	-	-	4,176	984	5,160
A.2 Net initial carrying amount	28,129	-	-	441	2,726	31,296
B. Increases	-	-	-	119	-	119
B.1 Purchases	-	-	-	119	-	119
B.2 Increases in internal intangible assets	X			-		-
B.3 Value recoveries	X			-		-
B.4 Positive changes in fair value	-	-	-	-	-	-
- on shareholders' equity	X					-
- on income statement	X					-
B.5 Positive exchange rate differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	-	-	-	245	-	245
C.1 Sales	-	-	-	-	-	-
C.2 Impairment losses	-	-	-	245	-	245
(-) Amortisation	X	-	-	245	-	245
(-) Write-downs	-	-	-	-	-	-
(+) shareholders' equity	X	-	-	-	-	-
(+) income statement	-	-	-	-	-	-
C.3 Negative changes in fair value	-	-	-	-	-	-
- on shareholders' equity	X	-	-	-	-	-
- on income statement	X	-	-	-	-	-
C.4 Transfers to non-current assets being disposed	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Net final amount	28,129	-	-	315	2,726	31,170
D.1 Total net impairment losses	-	-	-	4,421	984	5,405
E. Final carrying amount	28,129	-	-	4,736	3,710	36,575
F. Valuation at cost						

Key:
DEF: definite duration
INDEF: indefinite duration

Section 11 - Tax assets and liabilities - Items 110 (assets) and 60 (liabilities)

Current tax assets totalled 809 thousand euros (3,483 thousand euros at 31 December 2019) and concerned mainly an IRAP receivable of 747 thousand euros (referred to the Bank for 645 thousand euros).

Current tax liabilities amounted to 487 thousand euros (136 thousand euros at 31 December 2019) and include IRES payables from the national tax consolidation for 224 thousand euros and VAT payables to be paid for 130 thousand euros.

11.1 Deferred tax assets: breakdown

Deferred tax assets accounted for with reference to the deductible temporary differences amounted to 9,510 thousand euros (10,648 thousand euros at 31 December 2019) and refer, for 9,328 thousand euros to taxes recognised through profit or loss and for 182 thousand euros to taxes recognised with a corresponding item in shareholders' equity. Taxes recognised through profit or loss pertain to the Bank for a total of 1,489 thousand euros, InvestiRE SGR S.p.A. for 7,742 thousand euros (of which goodwill for 7,159 thousand euros) and Finnat Fiduciaria S.p.A. for 97 thousand euros; while the taxes recognised with a corresponding item in shareholders' equity pertain to the Bank for 116 thousand euros, InvestiRE SGR S.p.A. for 30 thousand euros and Finnat Fiduciaria S.p.A. for 36 thousand euros.

Deferred tax assets as a balancing entry in shareholders' equity relate exclusively to taxes on negative valuation reserves relating to Financial assets at fair value through other comprehensive income (40 thousand euros) and the recognition of actuarial losses on the Provisions for termination indemnities (142 thousand euros).

11.2 Deferred tax liabilities: breakdown

Deferred tax liabilities amounted to 1,219 thousand euros (682 thousand euros at 31 December 2019) and are recognised through profit or loss for 101 thousand euros and as a balancing entry in shareholders' equity for 1,118 thousand euros. The latter exclusively concern taxes on positive valuation reserves relating to Financial assets at fair value through other comprehensive income owned by the Bank.

Deferred tax assets and liabilities have been determined applying the IRES rate, any IRES surtax and, where applicable, the IRAP rate in force at the date of preparation of these financial statements.

11.3 Changes in deferred tax assets (with corresponding item in the income statement)

	Total 31/12/2020	Total 31/12/2019
1. Opening balance	10,259	12,571
2. Increases	100	547
2.1 Deferred tax assets recognised in the year	100	547
a) relating to previous years	-	-
b) due to changes in accounting criteria	-	-
c) value recoveries	-	-
d) other	100	547
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
3. Decreases	1,031	2,859
3.1 Deferred tax assets eliminated in the year	1,031	2,859
a) reversals	1,031	281
b) write-offs	-	-
c) changes in accounting criteria	-	-
d) other	-	2,578
3.2 Tax rate reductions	-	-
3.3 Other decreases	-	-
a) changes into tax credits pursuant to Law no. 214/2011	-	-
b) other	-	-
4. Closing balance	9,328	10,259

The figures indicated in table 11.3 comprise the amounts shown in table 11.4.

11.4 Changes in deferred tax assets per law no. 214/2011

	Total 31/12/2020	Total 31/12/2019
1. Opening balance	1,150	11,111
2. Increases	-	-
3. Decreases	8	9,961
3.1 Reversals	8	-
3.2 Transformation into tax credits	-	-
a) deriving from losses for the year	-	-
b) deriving from tax losses	-	-
3.3 Other decreases	-	9,961
4. Closing balance	1,142	1,150

The final amount of the deferred tax assets pursuant to Law 214/2011 relates exclusively to the Bank.

11.5 Changes in deferred tax liabilities (with corresponding item in the income statement)

	Total 31/12/2020	Total 31/12/2019
1. Opening balance	156	142
2. Increases	8	14
2.1 Deferred tax liabilities recognised in the year	8	14
a) relating to previous years	-	-
b) due to changes in accounting criteria	-	-
c) other	8	14
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
3. Decreases	63	-
3.1 Deferred tax liabilities eliminated in the year	63	-
a) reversals	63	-
b) due to changes in accounting criteria	-	-
c) other	-	-
3.2 Tax rate reductions	-	-
3.3 Other decreases	-	-
4. Closing balance	101	156

11.6 Changes in deferred taxes assets (with corresponding item in shareholders' equity)

	Total 31/12/2020	Total 31/12/2019
1. Opening balance	389	4,464
2. Increases	7	56
2.1 Deferred tax assets recognised in the year	7	56
a) relating to previous years	-	-
b) due to changes in accounting criteria	-	-
c) other	7	56
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
3. Decreases	214	4,131
3.1 Deferred tax assets eliminated in the year	214	4,131
a) reversals	214	4,131
b) write-offs	-	-
c) due to changes in accounting criteria	-	-
d) other	-	-
3.2 Tax rate reductions	-	-
3.3 Other decreases	-	-
4. Closing balance	182	389

11.7 Changes in deferred tax liabilities (with corresponding item in shareholders' equity)

	Total 31/12/2020	Total 31/12/2019
1. Opening balance	**526**	**394**
2. Increases	**762**	**198**
2.1 Deferred tax liabilities recognised in the year	762	198
a) relating to previous years	-	-
b) due to changes in accounting criteria	-	-
c) other	762	198
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
3. Decreases	**170**	**66**
3.1 Deferred tax liabilities eliminated in the year	170	66
a) reversals	170	66
b) due to changes in accounting criteria	-	-
c) other	-	-
3.2 Tax rate reductions	-	-
3.3 Other decreases	-	-
4. Closing balance	**1,118**	**526**

For further information on changes to deferred tax assets and liabilities, please see: for those recorded in the income statement, Part C - Section 21 Taxes on income from continuing operations and for those recorded in shareholders' equity Part D - Consolidated statement of comprehensive income.

* * *

With regard to tax disputes referring to the Bank, an appeal against an unfavourable decision no. 253/07/10 of the Regional Tax Commission of Lazio is still pending. The dispute pertains to assessment notice no. RCB030302029/2005, whereby the Revenue Agency argued that certain operating costs relating to the year 2002 were not deductible for IRPEG and IRAP purposes (costs for advisory services and costs pertaining to a lease agreement).
The Supreme Court, with its decision no. 27786/18 handed down on 19 June 2018, quashed the appeal decision, requiring the Regional Tax Commission of Lazio, with a different composition, to examine the merits of the case again. The Bank filed a prompt appeal to resume the proceedings before the Regional Tax Commission of Lazio. The hearing to discuss the appeal has been set for 30 June 2021. However, it should be pointed out that taxes amounting to 55 thousand euros plus penalties and interest were expensed in the income statement by the Bank.

As regards the Group companies, the subsidiary InvestiRE SGR S.p.A. has a tax dispute in progress, already lodged by the merged company Beni Stabili Gestioni S.p.A SGR, regarding the objection to the IRES/IRAP assessment notices for the year 2006. The re-admission to taxation concerns the alleged non-deductibility of expenses for property management services for retail funds; the request of the tax authorities for higher direct taxes amounts to 151 thousand euros, plus penalties and interest.
In relation to that dispute, a decision was won at the first instance proceedings and the appeal proceedings were lost; an appeal is pending at the Supreme Court. The entire amount due in the form of taxes, penalties, interest and collection fees was paid, for a total of 351 thousand euros.

Section 13 - Other assets - Item 130

13.1 Other assets: breakdown

	Total 31/12/2020	Total 31/12/2019
Receivables for guarantee deposits	508	501
Deposits with Cassa Compensazione e Garanzia	5,799	11,164
Deposits with Ice Clear Europe	5,600	-
Due from counterparties and brokers	215	-
Tax credits for withholding tax	6,197	9,765
Sundry receivables	4,991	3,540
Total	23,310	24,970

LIABILITIES

Section 1 - Financial liabilities at amortised cost - Item 10

1.1 Financial liabilities at amortised cost: breakdown by product of due to banks

Type of transactions/Amounts	Total 31/12/2020				Total 31/12/2019			
	BV	Fair value			BV	Fair value		
		L1	L2	L3		L1	L2	L3
1. Due to Central Banks	-	X	X	X	-	X	X	X
2. Due to banks	157	X	X	X	369	X	X	X
2.1 Current accounts and demand deposits	145	X	X	X	369	X	X	X
2.2 Time deposits	-	X	X	X	-	X	X	X
2.3 Loans	-	X	X	X	-	X	X	X
2.3.1 Repurchase agreements	-	X	X	X	-	X	X	X
2.3.2 Other	-	X	X	X	-	X	X	X
2.4 Debts for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
2.5 Lease payables	12	X	X	X	-	X	X	X
2.6 Other payables	-	X	X	X	-	X	X	X
Total	157	-	-	157	369	-	-	369

Key:
L1 = Level 1; L2 = Level 2; L3 = Level 3

Due to banks refer only to the Parent Company.

1.2 Financial liabilities at amortised cost: breakdown by product of due to customers

Type of transactions/Amounts	Total 31/12/2020				Total 31/12/2019			
	BV	Fair value			BV	Fair value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	506,796	X	X	X	582,138	X	X	X
2. Time deposits	163,377	X	X	X	191,002	X	X	X
3. Loans	853,159	X	X	X	985,179	X	X	X
3.1 Repurchase agreements	853,159	X	X	X	985,179	X	X	X
3.2 Other	-	X	X	X	-	X	X	X
4. Debts for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
5. Lease payables	13,894	X	X	X	16,240	X	X	X
6. Other payables	15,580	X	X	X	15,516	X	X	X
Total	1,552,806	-	-	1,552,806	1,790,075	-	-	1,790,075

Key:
L1 = Level 1; L2 = Level 2; L3 = Level 3

Item 3.1 Repurchase agreements concerns exclusively the transactions carried out by the Bank with Cassa di Compensazione e Garanzia.

1.3 Financial liabilities at amortised cost: breakdown by product of securities issued

Type of transactions/Amounts	Total 31/12/2020				Total 31/12/2019			
	BV	Fair value			BV	Fair value		
		L1	L2	L3		L1	L2	L3
A. Securities	-	-	-	-	24,913	-	-	24,876
1. bonds	-	-	-	-	24,913	-	-	24,876
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	-	-	-	-	24,913	-	-	24,876
2. other securities	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	-	-	-	-	-	-	-	-
Total	-	-	-	-	24,913	-	-	24,876

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

The item represents the bonds issued by the Bank, including the accrued coupon. The bond loan present in 2019 expired in October 2020. The 2019 amount is shown net of the securities held for trading present in its portfolio, with a nominal amount of 5,087 thousand euros.

1.6 Lease payables

The information pursuant to IFRS 16, paragraph 58, is reported below.

Type	Maturities					
	up to 1 month	from over 1 month to 3 months	from over 3 months to 1 year	from over 1 year to 5 years	more than 5 years	Total 31/12/2020
Buildings	506	269	1,922	7,504	3,107	13,308
Electronic equipment	-	3	16	-	-	19
Other	20	36	150	372	1	579
Total	526	308	2,088	7,876	3,108	13,906

Lease payables concern the Bank for 7,595 thousand euros and the subsidiaries InvestiRE SGR S.p.A. for 5,973 thousand euros, Finnat Fiduciaria S.p.A. for 256 thousand euros, Finnat Gestioni SA for 12 thousand euros and Natam for 70 thousand euros.

As regards the information pursuant to IFRS 16, paragraph 53, letter g), total cash outflows for leases in 2020 came to 3,116 thousand euros.

Section 2 - Financial liabilities held for trading - Item 20

2.1 Financial liabilities held for trading: breakdown by product

Type of transactions/Amounts	Total 31/12/2020					Total 31/12/2019				
	NV	Fair value			Fair value*	NV	Fair value			Fair value*
		L1	L2	L3			L1	L2	L3	
A. Cash liabilities	-	-	-	-	-	-	-	-	-	-
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total A	-	-	-	-	-	-	-	-	-	-
B. Derivatives	-	-	40	-	-	-	-	152	-	-
1. Financial derivatives	-	-	40	-	-	-	-	152	-	-
1.1 Held for trading	X	-	40	-	X	X	-	152	-	X
1.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	-	-	-	-	-	-	-	-	-	-
2.1 Held for trading	X	-	-	-	X	X	-	-	-	X
2.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	X	-	40	-	X	X	-	152	-	X
Total (A + B)	X	-	40	-	X	X	-	152	-	X

Key:
FV = face value or notional value
L1 = Level 1; L2 = Level 2; L3 = Level 3
* fair value calculated excluding changes in value due to changes in creditworthiness

Financial liabilities refer exclusively to the Bank.

Item "B. Derivatives" includes the negative measurement of currency forwards.

Section 6 - Tax liabilities - Item 60

See Section 11 of the assets.

Section 8 - Other liabilities - Item 80

8.1 Other liabilities: breakdown

	Total 31/12/2020	Total 31/12/2019
Social security and insurance contributions to be paid	1,846	1,517
Payables to personnel employed and contractors	4,164	3,654
Emoluments to be paid to the Directors	162	186
Emoluments to be paid to the Board of Statutory Auditors	191	227
Due to suppliers	1,460	1,303
Shareholders for dividends to be paid	1,743	1,996
Payables to brokers and institutional counterparties	951	1,590
Tax payables for withholding tax	3,754	2,709
Other payables	4,533	5,676
Total	18,804	18,858

Section 9 - Post-employment benefits - Item 90

9.1 Post-employment benefits: annual changes

	Total 31/12/2020	Total 31/12/2019
A. Initial amount	5,920	5,317
B. Increases	1324	1945
B.1 Allocation for the year	1,324	1,945
B.2 Other changes	-	-
C. Decreases	1639	1342
C.1 Severance indemnities paid out	1,061	539
C.2 Other changes	578	803
D. Final amount	5,605	5,920

Item B.1 Allocation for the year, includes the actuarial profit of 147 thousand euros recognised among valuation reserves, net of the tax effect, in accordance with IAS 19. In 2019, an actuarial loss of 458 thousand euros was recorded.

Item C.2 Other changes includes payments made to supplementary Social Security Institutes and the INPS Treasury - net of disbursements carried out - as established by Italian Law no. 296/06.
The actuarial assumptions used to calculate the liabilities at the statement of financial position date are set out below:
Demographic assumption
As regards the demography data used, life expectancy was assessed using the RG48 demographic table on population activity ratios ("Tavola di permanenza nella posizione di attivo") (processed by the General Accounting Office, by reference to the 1948 generation), "selected, projected and subdivided by gender", supplemented by internal statistics concerning the probability of staff leaving employment.

Economic-financial assumptions

Technical evaluations were made on the basis of the following assumptions:

- technical discount rate between 0% and 0.2229%, determined on the basis of the rate curve built in view of the effective yield rate of the bonds in Euro of leading companies rated AA or higher;
- annual inflation rate 1.50%.

Section 10 - Provisions for risks and charges - Item 100

10.1 Provisions for risks and charges: breakdown

Items/Amounts	Total 31/12/2020	Total 31/12/2019
1. Provisions for credit risk related to commitments and financial guarantees given	246	102
2. Provisions on other commitments and other guarantees given	-	-
3. Company pension funds	-	-
4. Other provisions for risks and charges	67	-
4.1. Legal and tax disputes	-	-
4.2. Personnel expenses	-	-
4.3 Other	67	-
Total	313	102

Item 1. Provisions for credit risk related to commitments and financial guarantees given, exclusively pertaining to the Bank, concerns the collective impairment losses recorded up until 31 December 2020 totalling 233 thousand euros and an individual adjustment carried out in the previous year on an impaired guarantee for 13 thousand euros.

Collective impairment losses on commitments in the year came to 107 thousand euros and to 37 thousand euros for financial guarantees.

Item 4. "Other provisions for risks and charges" includes the provision made in the year by the Bank to cover any indemnity to be paid to employees.

With reference to the events that concerned Bio-On S.p.A. and the associated top management representatives, it should be noted that last year the Bank received some letters from investors holding shares in the company, none of whom are bank customers, also through trade associations, in which compensation was requested for the damage suffered by said parties. The arguments contained in said letters are generic and vague both in subjective terms, and with reference to the conduct attributable to the Bank, the facts disputed and the alleged damage suffered. To date, a possible legal risk is not identifiable.

10.2 Provisions for risks and charges: annual changes

	Provisions on other commitments and other guarantees given	Pension funds	Other provisions for risks and charges	Total
A. Initial amount	102	-	-	102
B. Increases	144	-	67	211
B.1 Allocation for the year	144	-	67	211
B.2 Changes due to the passing of time	-	-	-	-
B.3 Changes due to discount rate variations	-	-	-	-
B.4 Other changes	-	-	-	-
C. Decreases	-	-	-	-
C.1 Use in the year	-	-	-	-
C.2 Changes due to discount rate variations	-	-	-	-
C.3 Other changes	-	-	-	-
D. Final amount	246	-	67	313

The item refers exclusively to the Bank.

For comments on the changes, refer to the notes at the bottom of table 10.1 Provisions for risks and charges: breakdown.

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

	Provisions for credit risk related to commitments and financial guarantees given			
	Stage 1	Stage 2	Stage 3	Total
Commitments to lend funds	110	1	-	111
Financial guarantees given	101	21	13	135
Total	211	22	13	246

10.6 Provisions for risks and charges - other provisions

The provision for risks and charges - other provisions, pertaining exclusively to the Bank, amounted to 67 thousand euros. For details, refer to the notes at the bottom of table 10.1 Provisions for risks and charges: breakdown.

Section 13 - Group equity - Items 120, 150, 170 and 180

13.1 "Share capital" and "Treasury shares": breakdown

At 31 December 2020, the share capital paid up by the Bank was 72,576,000 euros, divided into 362,880,000 ordinary shares with a face value of 0.20 euros each.

At 31 December 2020, treasury shares numbered 28,810,640. These shares totalling 14,059 thousand euros, equal to 7.9% of the share capital, in application of IAS 32, were used to adjust the shareholders' equity. In the year in question, the Bank did not buy or sell any treasury shares.

13.2 Capital - Number of shares of the parent company: annual changes

Items/Types	**Ordinary**	**Other**
A. Number of shares at the beginning of the year	362,880,000	
– fully paid-in	362,880,000	-
– not fully paid-in	-	-
A.1 Treasury shares (-)	(28,810,640)	-
A.2 Shares outstanding: initial amount	**334,069,360**	-
B. Increases	-	-
B.1 New issues	-	-
– against payment:	-	-
- business combinations	-	-
- conversion of bonds	-	-
- exercise of warrants	-	-
- other	-	-
– for free:	-	-
- in favour of employees	-	-
- in favour of directors	-	-
- other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other changes	-	-
C. Decreases	-	-
C.1 Derecognition	-	-
C.2 Purchase of treasury shares	-	-
C.3 Disposal of companies	-	-
C.4 Other changes	-	-
D. Shares outstanding: final amount	**334,069,360**	-
D.1 Treasury shares (+)	28,810,640	-
D.2 Number of shares at the end of the year	362,880,000	-
– fully paid-in	362,880,000	-
– not fully paid-in	-	-

13.3 Share capital: additional information

During the year, the Bank's share capital was not subject to change.

13.4 Retained earnings: other information

The "Reserves" item amounts to 151,029 thousand euros (150,586 thousand euros at 31 December 2019) and is broken down as follows:

- retained earnings of the Bank:
  117,816 thousand euros consisting of the legal reserve of 11,525 thousand euros, extraordinary reserve of 85,292 thousand euros, the dividend adjustment reserve of 6,725 thousand euros, restated IAS 19 retained earnings reserve of 179 thousand euros, the reserve for merger surplus of 524 thousand euros, the reserve for treasury shares purchased of 14,059 thousand euros and the negative reserve from restated IFRS 9 of 488 thousand euros;
- other reserves:
  33,213 thousand euros consisting of the reserve for the realised gain on treasury shares of 4,277 thousand euros and net losses on sale of shares present in the portfolio Financial assets at fair value through other comprehensive income of 35 thousand euros and of the consolidation reserve for the difference.

Section 14 – Non-controlling interests - Item 190

14.1 Breakdown of Item 190 "Non-controlling interests"

Company names	Total 31/12/2020	Total 31/12/2019
Equity investments in consolidated companies with significant minority interest		
1. InvestiRE SGR S.p.A.	39,787	40,170
Other equity investments	651	641
Total	40,438	40,811

Other information

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

	Nominal value over commitments and financial guarantees given			Total 31/12/2020	Total 31/12/2019
	Stage 1	Stage 2	Stage 3		
1. Commitments to lend funds	27,779	783	-	28,562	9,730
a) Central Banks	-	-	-	-	-
b) Public administrations	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other financial institutions	19,592	-	-	19,592	2,189
e) Non financial institutions	1,790	8	-	1,798	923
f) Households	6,397	775	-	7,172	6,618
2. Financial guarantees given	15,900	4,372	299	20,571	19,888
a) Central Banks	-	-	-	-	-
b) Public administrations	-	-	-	-	-
c) Banks	621	-	-	621	591
d) Other financial institutions	4,289	179	-	4,468	4,404
e) Non financial institutions	9,011	2,489	299	11,799	12,123
f) Households	1,979	1,704	-	3,683	2,770

The above table shows the irrevocable commitments to lend funds and the financial guarantees given. Both items are subject to the write-down rules established by IFRS 9.
Financial guarantees given c) Banks shows the Bank's commitment towards the Interbank Fund for the Protection of Deposits, amounting to 574 thousand euros.

2. Other commitments and other guarantees given

	Nominal value	
	Total 31/12/2020	Total 31/12/2019
1. Other guarantees given	-	
of which: non-performing credit exposures	-	-
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial institutions	-	-
e) Non financial institutions	-	-
f) Households	-	-
2. Other commitments	162,764	178,201
of which: non-performing credit exposures	3	-
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	63	63
d) Other financial institutions	12,640	14,690
e) Non financial institutions	111,365	113,229
f) Households	38,696	50,219

The above table shows the irrevocable commitments to lend funds and the other commitments for transactions to be settled that are not subject to IFRS 9 write-down rules.

3. Assets pledged as collateral of liabilities and commitments

Portfolios	Amount at 31/12/2020	Amount at 31/12/2019
1. Financial assets at fair value through profit or loss	-	-
2. Financial assets at fair value through other comprehensive income	-	-
3. Financial assets at amortised cost	858,640	993,727
4. Property and equipment	-	-
of which: property and equipment constituting inventory	-	-

5. Management and dealing on behalf of third parties

Type of service	Amount
1. Trading on behalf of customers	
a) purchases	2,881,216
1. settled	2,877,370
2. to be settled	3,846
b) sales	2,670,081
1. settled	2,659,778
2. to be settled	10,303
2. Portfolio management	
a) individual	727,365
a) collective	5,746,027
3. Custody and administration of securities	
a) third-party securities held in deposit: related to depositary bank activities (excluding portfolio management)	-
1. securities issued by companies included in the consolidation area	-
2. other securities	-
b) third-party securities on deposit (excluding portfolio management): other	1,824,841
1. securities issued by companies included in the consolidation area	56,253
2. other securities	1,768,588
c) third-party securities lodged with third parties	1,809,506
d) own securities lodged with third parties	1,245,898
4. Other transactions	1,844,502

Part C - Information on the Income Statement

Section 1 - Interests - Items 10 and 20

1.1 Interest and similar income: breakdown

Items/Categories	Debt securities	Loans	Other transactions	Total 2020	Total 2019
1. Financial assets at fair value through profit or loss	774	-	-	774	555
1.1. Financial assets held for trading	774	-	-	774	555
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily measured at fair value	-	-	-	-	-
2. Financial assets at fair value through other comprehensive income	1,163	-	X	1,163	1,570
3. Financial assets at amortised cost:	5,872	7,305	-	13,177	14,054
3.1 Due from banks	-	29	X	29	167
3.2 Loans to customers	5,872	7,276	X	13,148	13,887
4. Hedging derivatives	X	X	-	-	-
5. Other assets	X	X	2	2	-
6. Financial liabilities	X	X	X	3,312	2,563
Total	7,809	7,305	2	18,428	18,742
of which: interest income on impaired financial assets	-	700	-	700	882
of which: interest income on finance leases	-	-	-	-	-

1.3 Interest and similar expense: breakdown

Items/Categories	Payables	Securities	Other transactions	Total 2020	Total 2019
1. Financial liabilities at amortised cost	1,518	-	-	1,518	1,787
1.1 Due to Central Banks	-	X	X	-	-
1.2 Due to banks	2	X	X	2	1
1.3 Due to customers	1,516	X	X	1,516	1,773
1.4 Securities issued	X	-	X	-	13
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities and funds	X	X	-	-	-
5. Hedging derivatives	X	X	-	-	-
6. Financial assets	X	X	X	752	669
Total	1,518	-	-	2,270	2,456
of which: interest expense related to lease payables	240	-	-	240	263

Net Interest income, almost exclusively pertaining to the Bank, totals 16,158 thousand euros, versus 16,286 thousand euros in the previous financial year.

Section 2 - Commissions - Items 40 and 50

2.1 Fee and commission income: breakdown

Type of service/Amounts	Total 2020	Total 2019
a) guarantees given	191	209
b) credit derivatives	-	-
c) administration, brokerage and consultancy services:	48,076	50,959
1. trading in financial instruments	6,187	5,102
2. currency dealing	-	-
3. portfolio management	33,541	37,171
3.1. individual	7,191	6,731
3.2. collective	26,350	30,440
4. custody and administration of securities	498	508
5. depositary bank	-	-
6. placement of securities	3,869	3,935
7. reception and transmission of orders	-	-
8. consultancy services	1,938	2,189
8.1. on investments	882	737
8.2. on financial structure	1,056	1,452
9. distribution of third-party services	2,043	2,054
9.1. portfolio management	136	135
9.1.1. individual	-	-
9.1.2. collective	136	135
9.2. insurance policies	1,907	1,919
9.3. other products	-	-
d) collection and payment services	314	452
e) servicing related to securitisations	-	-
f) factoring services	-	-
g) tax collection office services	-	-
h) multilateral trading systems management	-	-
i) management of current accounts	423	389
j) other services	2,967	2,945
Total	51,971	54,954

The following table provides the information about contracts with customers required by IFRS 15.

Revenue from contracts with customers (IFRS 15)

	2020 Revenue	Revenue recognised in 2020 included in the opening balance of the liabilities deriving from contracts at the start of the year	2019 Revenue	Revenue recognised in 2019 included in the opening balance of the liabilities deriving from contracts at the start of the year
Breakdown by type of service				
- consultancy services	1,938	98	2,189	109
- specialist	1,383	-	1,488	-
- trading	4,805	-	3,614	-
- placement	3,869	1	3,935	113
- individual management	5,680	-	5,447	-
- collective management	25,956	-	30,052	-
- delegated management	1,511	-	1,284	-
- services to listed issuers (SEQ and equity research)	455	116	506	125
- distribution of insurance products	1,907	-	1,919	-
- distribution of third-party services	529	-	523	-
- other services	3,938	-	3,997	24
Total fee and commission income	51,971	215	54,954	371
Line by line (impairment losses)/value recoveries for the period on trade receivables	262		(124)	
Collective (impairment losses/)value recoveries for the period on trade receivables	(21)		93	
Losses for derecognition of receivables	(185)		(36)	
Total (impairment losses)/recoveries on trade receivables	56		(67)	

As required by IFRS 15, the following information is provided:

- during the year the Bank accounted for variable fees of 1,425 thousand euros and they concern, for 885 thousand euros (260 thousand euros at 31 December 2019) performance fees on management, for 445 thousand euros (54 thousand euros at 31 December 2019) performance fees on delegated management and for 95 thousand euros (210 thousand euros at 31 December 2019) success fees on corporate finance consultancy services. On the whole, variable fees received totalling 44 thousand euros in 2020 and 1,286 thousand euros in 2021 (up to the date of preparation of the financial statements);
- during the year, the subsidiary InvestiRE SGR S.p.A. accounted for performance fees of 59 thousand euros (FIP 11 thousand euros and Helios 48 thousand euros). As prescribed by the FIP fund regulation, 50% of this amount will be liquidated only at the expiration of the fund if there is no significant downwards adjustment of the amount of the cumulated revenue. As a result of the assessment made, the subsidiary does not deem this eventuality to be highly probable;
- at the closing date of the year, there were no unrecognised fees and commissions on contracts above one year.

2.2 Fee and commission expense: breakdown

Services/Amounts	Total 2020	Total 2019
a) guarantees received	-	-
b) credit derivatives	-	-
c) management and brokerage services:	1,472	948
1. trading in financial instruments	1,042	523
2. currency dealing	-	-
3. portfolio management:	85	93
3.1 own portfolio	40	45
3.2 third-party portfolio	45	48
4. custody and administration of securities	318	317
5. placement of financial instruments	27	15
6. "door-to-door" sale of financial instruments, products and services	-	-
d) collection and payment services	209	296
e) other services	846	728
Total	2,527	1,972

Net fee and commission income amounted to 49,444 thousand euros versus 52,982 thousand euros in the previous financial year. The decrease, equal to 3,538 thousand euros, derives for 2,579 thousand euros from the transfer of the business unit by the subsidiary InvestiRE SGR to REDO SGR.

Section 3 - Dividends and similar income - Item 70

3.1 Dividends and similar income: breakdown

Items/Income	Total 2020		Total 2019	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	1	1	10	-
B. Other financial assets mandatorily measured at fair value	-	1,366	-	2,437
C. Financial assets at fair value through other comprehensive income	424	-	566	-
D. Equity investments	-	-	-	-
Total	425	1,367	576	2,437

The item shows a balance of 1,792 thousand euros (3,013 thousand euros in the previous year).

Section 4 - Net trading expense - Item 80

4.1 Net trading expense**: breakdown**

Transactions/Income items	**Gains (A)**	**Profit from trading activities (B)**	**Losses (C)**	**Losses from trading activities (D)**	**Net income [(A+B)-(C+D)]**
1. Financial assets held for trading	238	349	46	1,300	(759)
1.1 Debt securities	149	47	-	809	(613)
1.2 Equities	33	281	39	470	(195)
1.3 UCI units	56	21	7	21	49
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	-	-	-	-	-
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Financial assets and liabilities: foreign exchange differences	X	X	X	X	501
4. Derivatives	21	623	36	565	5
4.1 Financial derivatives:	21	623	36	565	5
- on debt securities and interest rates	-	-	-	-	-
- on equity and stock indexes	21	623	36	565	43
- on currencies and gold	X	X	X	X	(38)
- other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges related to the fair value option	X	X	X	X	-
Total	259	972	82	1,865	(253)

Net trading expense, exclusively pertaining to the Bank, features a negative balance of 253 thousand euros, compared to 1,737 thousand euros in 2019, and may be broken down as follows:

- a positive difference between unrealised capital gains and losses, in connection with the fair value measurement of the trading portfolio of 177 thousand euros (in 2019 there was a negative balance of 1,019 thousand euros);
- a negative balance between realised profits and losses related to trading on securities and derivatives of 893 thousand euros (in 2019, a negative balance of 1,008 thousand euros);
- a negative difference of 38 thousand euros between unrealised capital gains and losses in connection with the fair value measurement of currency forwards (in 2019, a negative balance of 71 thousand euros);
- a positive balance of 501 thousand euros between realised foreign exchange gains and losses (in 2019, a positive balance of 361 thousand euros).

Section 6 - Net gain from disposal/repurchase - Item 100

6.1 Net gain from disposal/repurchase: **breakdown**

Items/Income items	Total 2020			Total 2019		
	Profit	Losses	Net income	Profit	Losses	Net income
A. Financial assets						
1. Financial assets at amortised cost	278	-	278	464	-	464
1.1 Due from banks	-	-	-	-	-	-
1.2 Loans to customers	278	-	278	464	-	464
2. Financial assets at fair value through other comprehensive income	1,406	236	1,170	242	-	242
2.1 Debt securities	1,406	236	1,170	242	-	242
2.2 Loans	-	-	-	-	-	-
Total assets (A)	1,684	236	1,448	706	-	706
B. Financial liabilities at amortised cost						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	-	-	-	-	-	-
Total liabilities (B)	-	-	-	-	-	-

Item 1.2 Loans to customers and item 2.1 Debt securities both refer to the net income achieved by the Bank following the sale of Debt securities.

Section 7 - Net losses on other financial assets and liabilities at fair value through profit or loss - Item 110

7.2 Net losses on other financial assets and liabilities at fair value through profit or loss: breakdown of other financial assets mandatorily measured at fair value

Transactions/Income items	Gains (A)	Profits from disposal (B)	Losses (C)	Losses from disposal (D)	Net income [(A+B)-(C+D)]
1. Financial assets	88	-	487	-	(399)
1.1 Debt securities	-	-	-	-	-
1.2 Equities	-	-	25	-	(25)
1.3 UCI units	88	-	462	-	(374)
1.4 Loans	-	-	-	-	-
2. Financial assets in foreign currencies: foreign exchange differences	X	X	X	X	-
Total	88	-	487	-	(399)

Item 1.2 Equities, exclusively pertaining to the Bank, relates to the Carige shares held through the FITD Voluntary Scheme for 18 thousand euros and to the Astaldi equity financial instruments for 7 thousand euros. Item 1.3 UCI units

Losses (C) refer for 316 thousand euros to the units owned by the Bank (FIP Fund for 198 thousand euros and to the Apple Fund for 118 thousand euros) and for 146 thousand euros to the Immobilium fund owned by InvestRE SGR S.p.A.

At 31 December 2019, the item had a negative balance of 926 thousand euros.

Section 8 - Net impairment losses for credit risk - Item 130

8.1 Net impairment losses for credit risk associated with financial assets at amortised cost: breakdown

Transactions/Income items	Impairment losses (1)			Value recoveries (2)		Total 2020 (1) - (2)	Total 2019
	Stage 1 and 2	Stage 3		Stage 1 and 2	Stage 3		
		Write-off	Other				
A. Due from banks	70	-	-	-	-	70	(26)
- Loans	70	-	-	-	-	70	(26)
- Debt securities	-	-	-	-	-	-	-
of which: acquired or originated impaired loans	-	-	-	-	-	-	-
B. Loans to customers	451	272	5,568	166	634	5,491	12,193
- Loans	451	272	5,568	44	634	5,613	12,699
- Debt securities	-	-	-	122	-	(122)	(506)
of which: acquired or originated impaired loans	-	-	-	-	-	-	-
Total	521	272	5,568	166	634	5,561	12,167

Please refer to the comments provided in the asset items Financial assets at amortised cost: breakdown by product of due from banks and loans to customers (asset tables of the notes to the financial statements 4.1 and 4.2).

8.1a Net impairment losses for credit risk associated with financial assets at amortised cost subject to COVID-19 support measures: breakdown

Transactions/Income items	Impairment losses			Total 2020	Total 2019
	Stage 1 and 2	Stage 3			
		Write-off	Other		
1. Loans subject to forbearance compliant with GL	344	-	-	344	-
2. Loans subject to other forbearance measures	-	-	-	-	-
3. New loans	34	-	-	34	-
Total 2020	378	-	-	378	-
Total 2019					

This table, pertaining exclusively to the Bank, shows the details of the net impairment losses for loans subject to "moratoriums" or which constitute new liquidity granted through public guarantee mechanisms.

8.2 Net impairment losses for credit risk associated with financial assets at fair value through other comprehensive income: breakdown

Transactions/Income items	Impairment losses (1)			Value recoveries (2)		Total 2020 (1) - (2)	Total 2019
	Stage 1 and 2	Stage 3		Stage 1 and 2	Stage 3		
		Write-off	Other				
A. Debt Securities	-	-	-	399	-	(399)	(151)
B. Loans	-	-	-	-	-	-	-
- to customers	-	-	-	-	-	-	-
- to banks	-	-	-	-	-	-	-
of which: acquired or originated impaired financial assets	-	-	-	-	-	-	-
Total	-	-	-	399	-	(399)	(151)

8.2a Net impairment losses on credit risk associated with financial assets at fair value through other comprehensive income subject to COVID-19 support measures: breakdown

At 31 December 2020 there were no financial assets at fair value through other comprehensive income subject to COVID-19 support measures.

Section 9 - Net modification gains (losses) - Item 140

The item, exclusively pertaining to the Bank, at 31 December 2020 had a negative balance of 185 thousand euros (at 31 December 2019 it presented a positive balance of 7 thousand euros).

Section 12 - Administrative expenses - Item 190

12.1 Personnel expenses: breakdown

Type of expenses/Amounts	Total 2020	Total 2019
1) Personnel employed	33,706	33,952
a) wages and salaries	24,573	24,636
b) social security charges	6,442	6,486
c) termination indemnities	642	606
d) welfare charges	-	-
e) provisions for termination indemnities	500	520
f) provisions for post employment benefits:	-	-
- defined contribution plans	-	-
- defined benefit plans	-	-
g) payments to external pension funds:	409	459
- defined contribution plans	409	459
- defined benefit plans	-	-
h) costs from share based payments	-	-
i) other benefits in favour of employees	1,140	1,245
2) Other non-retired personnel	766	711
3) Directors and statutory auditors	1,553	1,564
4) Early retirement costs	-	-
Total	36,025	36,227

Personnel expenses fell by 202 thousand euros compared to the same period of last year.

Item 1) e) does not include the actuarial gain referred to IAS provisions for termination indemnities of 147 thousand euros (actuarial loss of 458 thousand euros in 2019), recognised - net of the tax effect - among Valuation reserves.

12.2 Average number of employees by category

	2020	2019
Personnel employed	342	351
(a) senior managers	56	55
(b) executives	146	151
(c) rest of personnel employed	140	145
Other personnel	14	13

12.4 Other benefits in favour of employees

Benefits in favour of employees amount to 1,140 thousand euros (versus 1,245 thousand euros last year) and concern luncheon vouchers, collective health care policies, professional training, cars and other benefits.

Following the introduction of IFRS 16, lease payments relating to benefits assigned to employees (company car and employee accommodation) are no longer recognised under this item, but instead the amortisation charges of the right of use are recognised.

12.5 Other administrative expenses: breakdown

Type of expenses/Amounts	Total 2020	Total 2019
Rentals and condominium fees	416	494
Membership fees	215	239
EDP materials	54	76
Stationery and printing supplies	32	63
Consultancy and outsourced professional services	2,070	2,648
Outsourcing services	2,336	2,132
Auditing company fees	205	279
Maintenance	1,131	975
Utilities and connections	1,649	1,763
Postal, transport and shipment fees	46	59
Insurance companies	263	315
Advertising, publications and sponsorship	303	247
Office cleaning	375	338
Books, newspapers and magazines	91	91
Entertainment expenses	197	529
Travel expenses and mileage based reimbursements	146	627
Other duties and taxes	4,458	4,613
Security charges	261	212
Contributions to National Resolution Fund	1,102	923
Other	815	1,150
Total	16,165	17,773

The other administrative expenses fell by 1,608 thousand euros compared to 2019.

Following the introduction of IFRS 16, lease payments relating to other administrative expenses are no longer recognised under this item, but instead the amortisation charges of the right of use of 2,767 thousand euros are recognised.

The other administrative expenses include recoveries from customers of some costs allocated under Other operating income/expenses.

* * *

Auditing company fees

In accordance with the requirements of art. 149-duodecies of Consob Resolution no. 15915 of 3 May 2007, we list the fees paid for 2020 for the various services provided to the Group by the auditing firm and entities part of the same networks.

	Party who provided the service	Payment due in 2020 (in thousands of euros)
Auditing services	KPMG S.p.A.	143
	EY S.p.A.	15
Other services	EY Advisory S.p.A.	16
	EY S.p.A.	35
	KPMG S.p.A.	3
Total		212

The audit includes the auditing of financial statements, the consolidated financial statements, the consolidated half-yearly report as well as the accounting auditing.

Payments for the audit do not include VAT, expense reimbursements and supervisory contribution. The total charge, including these items, amounts to 205 thousand euros.

The other services (not including VAT) relative to EY Advisory S.p.A. and EY S.p.A. refer to: i) the Bank's risk management consultancy for 16 thousand euros; ii) release of the annual report, referring to 2019, concerning the safeguards adopted by the Bank with regard to the deposit and sub-deposit of customer assets in the context of the provision of investment services and activities for 35 thousand euros (as established by art. 23, paragraph 7 of the "Implementing Regulation of articles 4-undecies and 6, paragraph 1, letters b and c-bis, of the Consolidated Financial Law", adopted with a provision of the Bank of Italy dated 5 December 2019, this annual report must be issued by the person in charge of the audit for the reference year). The other services relating to KMPG S.p.A. refer to Finnat Gestioni and relate to the AMLA Review (Swiss law on money laundering).

Section 13 - Net reversals of (accruals to) provisions for risks and charges - Item 200

13.1 Net reversals of (accruals to) provisions for risks and charges relating to commitments to lend funds and financial guarantees given: breakdown

	Value recoveries	Impairment losses	Total 2020
Commitments to lend funds	-	107	(107)
Financial guarantees given	-	37	(37)
Total	-	144	(144)

The item, exclusively pertaining to the Bank, at 31 December 2019 had net impairment losses equal to zero.

13.3 Net reversals of (accruals to) provisions for risks and charges: breakdown

	Total 2020	Total 2019
Allocations	(67)	-
Utilisation	-	682
Total	(67)	682

Both items of Section 13, are commented in Section 10 - "Provisions for risks and charges - Item 100" of the liabilities in the statement of financial position.

Section 14 - Depreciation and net impairment losses on property, equipment and investment property - Item 210

14.1 Depreciation and net impairment losses on property, equipment and investment property: breakdown

Assets/Income items	Amortisation (a)	Impairment losses on impairment(b)	Value recoveries (c)	Net income (a+b-c)
A. Tangible assets				
1. used in operations	3,423	-	-	3,423
- owned	399	-	-	399
- Rights of use acquired through leases	3,024	-	-	3,024
2. Investment property	-	-	-	-
- owned	-	-	-	-
- Rights of use acquired through leases	-	-	-	-
3. Inventory	X	-	-	-
Total	3,423	-	-	3,423

The item Rights of use acquired through leases refers to depreciation relating to employee benefits of 257 thousand euros and other administrative expenses of 2,767 thousand euros.
At 31 December 2019, depreciation stood at 3,445 thousand euros (of which 2,997 thousand euros relating to leases).

Section 15 - Amortisation and net impairment losses on intangible assets - Item 220

15.1 Amortisation and net impairment losses on intangible assets: breakdown

Assets/Income items	Amortisation (a)	Impairment losses on impairment(b)	Value recoveries (c)	Net income (a+b-c)
A. Intangible assets				
1. owned	245	-	-	245
- internally generated by the company	-	-	-	-
- other	245	-	-	245
2. Rights of use acquired through leases	-	-	-	-
Total	245	-	-	245

At 31 December 2019, amortisation stood at 211 thousand euros.

Section 16 - Other operating income, net - Item 230

16.1 Other operating expense: breakdown

	Total 2020	Total 2019
Amounts reimbursed to customers	37	8
Amortisation for improvements to third party assets	55	37
Other expenses	65	46
Total	157	91

16.2 Other operating income: breakdown

	Total 2020	Total 2019
Rental income	143	150
Recovery of stamp duty	3,804	4,138
Recovery of substitute tax	149	134
Recovery of other expenses	683	711
Dividend and prescription waiver	253	241
Other income	115	147
Total	5,147	5,521

The recoveries of costs from customers amounting to 4,636 thousand euros (4,983 thousand euros at 31 December 2019).

Other operating income and expenses show a positive balance of 4,990 thousand euros versus 5,430 thousand euros at 31 December 2019.

Section 17 - Net loss on equity investments - Item 250

17.1 Net loss on equity investments: breakdown

Income items/Amounts	Total 2020	Total 2019
1) Jointly controlled companies		
A. Income	-	1,900
1. Revaluations	-	-
2. Profit from disposals	-	-
3. Value recoveries	-	-
4. Other income	-	1,900
B. Expense	106	1,949
1. Write-downs	88	85
2. Net losses on impairment	-	1,510
3. Losses from disposals	18	354
4. Other expense	-	-
Net income	(106)	(49)
2) Companies subject to significant influence		
A. Income	-	-
1. Revaluations	-	-
2. Profit from disposals	-	-
3. Value recoveries	-	-
4. Other income	-	-
B. Expense	93	126
1. Write-downs	-	-
2. Net losses on impairment	93	126
3. Losses from disposals	-	-
4. Other expense	-	-
Net income	(93)	(126)
Total	(199)	(175)

Among the jointly controlled companies, item B. Charges shows the economic effect of the consolidation of REDO SGR S.p.A. and the loss from the sale to third parties by the subsidiary InvestiRE SGR S.p.A. of 2.56% of the investment held in REDO SGR S.p.A.

Among the companies subject to a significant influence, item B.2 Net losses on impairment relates to the associated company Imprebanca S.p.A.

Section 21 - Income taxes - Item 300

21.1 Income taxes: breakdown

Income items/Amounts		Total 2020	Total 2019
1.	Current taxes (-)	(2,913)	(527)
2.	Changes in current taxes compared with previous years (+/-)	3	(242)
3.	Reduction in current taxes (+)	-	-
3.bis	Reduction in current taxes for tax receivables per Italian Law no. 214/2011 (+)	-	-
4.	Change in deferred tax assets (+/-)	(931)	(2,312)
5.	Change in deferred tax liabilities (+/-)	54	(13)
6.	Income taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)	(3,787)	(3,094)

Current taxes refer to the Bank (-1,193 thousand euros), to InvestiRE SGR S.p.A., (-2,376 thousand euros), to the other Group companies for the difference.
The change in deferred tax assets regards InvestRE SGR S.p.A. for -756 thousand euros, the Bank for -181 thousand euros and Finnat Fiduciaria for the difference.

21.2 Reconciliation of theoretical tax charge to total income tax expense for the year

	2020		
	IRES	IRAP	Total
Pre-tax profit (loss)	11,564	11,564	23,128
Applicable tax rate	24.00	5.57	29.57
THEORETICAL TAX CHARGE	(2,775)	(644)	(3,419)
3.5% IRES surtax for credit and financial institutions	(237)		(237)
THEORETICAL GLOBAL TAX CHARGE	(3,012)	(644)	(3,656)
Effect of income that is exempt or taxed with concessional rates	402	1,300	1,702
Effect of charges that are fully or partially non-deductible	(246)	(276)	(522)
Effect of income/charges that are not included in the IRAP taxable income	-	(1,271)	(1,271)
Changes in deferred tax liabilities	-	(48)	(48)
Changes in current taxes compared with previous years	6	2	8
CURRENT TAX CHARGE	(2,850)	(937)	(3,787)

Section 23 - Profit for the year attributable to non-controlling interests - Item 340

23.1 Breakdown of Item 340 " Profit for the year attributable to non-controlling interests "

Income items/Amounts	Total 2020	Total 2019
Consolidated equity investments with significant interests in third parties		
1. InvestiRE SGR S.p.A.	2,554	2,935
Other equity investments	133	133
Total	2,687	3,068

The item Other equity investments refers exclusively to Finnat Gestioni S.A.

Section 25 - Earnings per share

25.1 Average number of ordinary shares with diluted capital

The basic and diluted earnings (loss) per share, at consolidated level, are given below, in accordance with IAS 33. As no Group company holds any Parent Company shares, the consolidated figures coincide with those relating to the Bank.

The basic earnings (loss) per share are calculated by dividing the consolidated net income (in euro) of the holders of the Bank's ordinary shares (the numerator) by the weighted average of the ordinary shares outstanding during the period (the denominator).
For the purpose of calculating the basic earnings (loss) per share, the weighted average of the ordinary shares outstanding during the period is calculated based on the ordinary shares outstanding at the beginning of the period, adjusted by the amount of ordinary shares purchased or issued or sold during the period multiplied by the number of days that the shares were outstanding, in proportion to the total days in the period. Shares outstanding do not include treasury shares.
The diluted earnings (loss) per share is calculated by adjusting the consolidated profit (losses) of ordinary shareholders, and likewise the weighted average of the shares outstanding, to take account of any impact by circumstances with diluted effects.

The following table shows the basic earnings (loss) per share.

	31/12/2020	31/12/2019
Profit (loss) for the year (in Euro)	5,090,909	434,468
Weighted average of ordinary shares	334,069,360	334,069,360
Basic earnings (loss) per share	0.015239	0.001301

The following table shows the diluted earnings (loss) per share.

	31/12/2020	31/12/2019
Adjusted profit (loss) for the year (in Euro)	5,090,909	434,468
Weighted average of ordinary shares for diluted capital	334,069,360	334,069,360
Diluted earnings (loss) per share	0.015239	0.001301

Since the Bank has no transactions under way that might determine changes to the number of shares outstanding and the earnings (loss) of ordinary shareholders, the diluted earnings (loss) per share coincides with the basic earnings per share and it is unnecessary to perform the reconciliation provided for by paragraph 70 of IAS 33.

25.2 Other information

At the end of the reporting period, no financial instruments that could lead to the dilution of the basic earnings (loss) per share had been issued.

Part D - Statement of comprehensive income

Analytical consolidated statements of comprehensive income

		2020	2019
10.	**Profit for the year**	**7,778**	**3,502**
	Other comprehensive income that will not be reclassified to profit or loss	**1,036**	**928**
20.	Equities at fair value through other comprehensive income:	973	1,292
	a) changes in fair value	973	1,292
	b) Transfers to other equity components	-	-
30.	Financial liabilities at fair value through profit or loss (changes of own credit rating):	-	-
	a) changes in fair value	-	-
	b) Transfers to other equity components	-	-
40.	Hedges of equities at fair value through other comprehensive income:	-	-
	a) changes in fair value (hedged instrument)	-	-
	b) changes in fair value (hedging instrument)	-	-
50.	Property and equipment	-	-
60.	Intangible assets	-	-
70.	Defined benefit plans	147	(458)
80.	Non-current assets held for sale and discontinued operations	-	-
90.	Share of valuation reserves of equity-accounted investments	20	78
100.	Income taxes relating to other comprehensive income that may not be reclassified to the income statement	104	(16)
	Other comprehensive income that will be reclassified to profit or loss	**1,033**	**8,126**
110.	Foreign investment hedge:	-	-
	a) changes in fair value	-	-
	b) reclassification to the income statement	-	-
	c) other changes	-	-
120.	Foreign exchange differences:	-	-
	a) changes in value	-	-
	b) reclassification to the income statement	-	-
	c) other changes	-	-
130.	Cash flow hedge:	-	-
	a) changes in fair value	-	-
	b) reclassification to the income statement	-	-
	c) other changes	-	-
	of which: result of net positions	-	-
140.	Hedging instruments (non-designated elements):	-	-
	a) changes in value	-	-
	b) reclassification to the income statement	-	-
	c) other changes	-	-
150.	Financial assets (other than equity instrument) at fair value through other comprehensive income:	1,752	12,265
	a) changes in fair value	2,199	11,381
	b) reclassification to the income statement	(447)	884
	- impairment losses on credit risk	(400)	(151)
	- profits/losses from disposal	(47)	1,035
	c) other changes	-	-
160.	Non-current assets held for sale and discontinued operations:	-	-
	a) changes in fair value	-	-
	b) reclassification to the income statement	-	-
	c) other changes	-	-
170.	Share of valuation reserves connected with investments carried at equity:	-	-
	a) changes in fair value	-	-
	b) reclassification to the income statement	-	-
	- losses on impairment	-	-
	- profits/losses from disposal	-	-
	c) other changes	-	-
180.	Income taxes relating to other comprehensive income that may be reclassified to the income statement	719	4,139
190.	**Total other comprehensive income**	**2,069**	**9,054**
200.	**Comprehensive income (Items 10+190)**	**9,847**	**12,556**
210.	Comprehensive income attributable to non-controlling interests	2,726	2,934
220.	**Comprehensive income attributable to the owners of the parent**	**7,121**	**9,622**

The positive change of Item 20. Equities at fair value through other comprehensive income of 973 thousand euros refers to the Bank and it is due to changes in fair value (before taxes) of the other equity securities (of which Fideuram Investments S.p.A. +978 thousand euros, CSE S.r.l. for -50 thousand euros, Net Insurance for +1 thousand euros and Real Estate Roma Olgiata Srl for +44 thousand euros);

The positive change in item 150. Financial assets (other than equities) at fair value through other comprehensive income (before taxes) of 1,752 thousand euros is mainly due to the Government bonds.

At the end of the year, the valuation reserves of the Group (after taxes) are as follows:

Financial assets at fair value through other comprehensive income		
Parent Company		
SIA S.p.A. shares	4,774	euros
Fideuram Investimenti SGR S.p.A. shares	910	euros
CSE S.r.l. shares	-44	euros
Net Insurance S.p.A. shares	129	euros
Real Estate Roma Olgiata S.r.l.	-443	euros
Debt securities	1,450	euros
	6,776	euros
Other Group companies (Debt securities)	-27	euros
Total A)	6,749	euros
Defined benefit plans B)	-519	euros
Share of valuation reserves connected with investments carried at equity C)	33	euros
Total (A+B+C)	6,263	euros

Valuation reserves amount to 7,627 thousand euros and comprise, in addition to what is detailed above, also the valuation reserves per Law no. 576/75, Law no. 72/83 and Law no. 413/91, recognised in the financial statements of the Bank for a total amount of 1,364 thousand euros.

Part E - Information on risks and related hedging policies

Foreword

The Parent Company Banca Finnat and the subsidiaries carry out their activities according to criteria of prudence and reduced exposure to risks, applying the principle of sound and prudent management.

The Bank defined the risk appetite for the Group, by incorporating in the Risk Appetite Framework, the risk objectives and respective limits, within which the Bodies implement the strategic guidelines based on the mission and the growth objectives assigned. The thresholds determined are calibrated so as to recognise and take action on any gradual deterioration in the risk and solidity profile of the Group. The pillar I "mandatory" limits, on the ratios between the regulatory risk measures and own funds, are defined consistently with the Supervisory provisions. By contrast, the management limits refer to the system of risk limits that the Bank has introduced and developed over time and which it has governed in the respective internal regulations.

In the Risk Appetite Framework (RAF) document, the Bank defined the risk appetite for the Group, the tolerance thresholds and the limits that can be assumed, in accordance with the Recovery Plan and the Planning and Budget process. More specifically, a system of limits was rolled out as a management tool aimed at governing the assumption of risks and overseeing the return to normal conditions if the threshold values are exceeded. The tolerance perimeter was also defined within the RAF, deriving from the evaluations conducted under stress conditions, as well as the operating methods of monitoring and the protocols which can be activated in the event the trend in the risk profile involves a situation whereby the level corresponding to the maximum deviation permitted by the Risk Appetite Framework is exceeded.

A significant role is also played by the ICAAP/ILAAP report for the purposes of management and monitoring of risks, drafted on an annual basis by the Banca Finnat Group in compliance with the guidelines of the European Banking Authority and the provisions of the Bank of Italy.

The preparation of the ICAAP/ILAAP report, regulated by internal procedures and carried out by the Group's corporate bodies and appointed structures, is the last stage in the much broader and ongoing self-assessment process regarding capital adequacy and its compliance with the RAF, the Group's operational features and the environment in which it operates.

Based on the Supervisory provisions, the Bank also carefully monitors its liquidity risk, according to the method formalised in the appropriate documents approved by the Board of Directors, and periodically performs stress tests on the credit, market, concentration and interest rate risk. The Board of Directors evaluated the results of the analysis.

In compliance with Directive 2014/59/EU - Bank Recovery and Resolution Directive (BRRD), transposed by the Italian Parliament with Legislative Decrees 180 and 181/2015, the Bank prepared and sent the Group Recovery Plan to the Supervisory Authorities in June 2020 after approval by the Board of Directors of the Bank. The document was prepared in compliance with the implementing provisions contained in Title IV, Paragraph 01-I of the Italian Consolidated Law on Banking and with Title IV, Paragraph I-bis of the Italian Consolidated Financial Law (Law pertaining to restructuring plans).

Section 1 - Accounting consolidation risks

Quantitative information

A. Credit quality

A.1 Non-performing and performing credit exposures: balances, impairment losses, changes and breakdown by type

A.1.1 Breakdown of credit exposures by portfolio classification and credit quality (book values)

Portfolio/Quality	Bad Loans	Unlikely to pay	Non-performing past due exposures	Performing past due exposures	Other performing exposures	Total
1. Financial assets at amortised cost	11,594	10,007	178	6,548	1,350,011	1,378,338
2. Financial assets at fair value through other comprehensive income	-	-	-	-	329,716	329,716
3. Financial assets designated at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily at fair value	-	-	-	-	-	-
5. Financial assets under disposal	-	-	-	-	-	-
Total 2020	11,594	10,007	178	6,548	1,679,727	1,708,054
Total 2019	6,862	6,566	3,047	55,734	1,831,285	1,903,494

A.1.2 Breakdown of credit exposures by portfolio classification and credit quality (gross and net values)

Portfolio/Quality	Non-performing			Total partial write-offs*	Performing			Total (net exposure)
	Gross exposure	Total impairment losses	Net exposure		Gross exposure	Total impairment losses	Net exposure	
1. Financial assets at amortised cost	50,998	29,219	21,779	-	1,359,589	3,030	1,356,559	1,378,338
2. Financial assets at fair value through other comprehensive income	-	-	-	-	329,816	100	329,716	329,716
3. Financial assets designated at fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily at fair value	-	-	-	-	X	X	-	-
5. Financial assets under disposal	-	-	-	-	-	-	-	-
4. Other financial assets mandatorily at fair value	50,998	29,219	21,779	-	1,689,405	3,130	1,686,275	1,708,054
5. Financial assets under disposal	40,843	24,368	16,475	-	1,890,510	3,491	1,887,019	1,903,494

* Value to be reported for disclosure purposes

Portfolio/Quality	Asset of evidently low credit quality		Other assets
	Cumulated losses	Net exposure	Net exposure
1. Financial assets held for trading	-	-	630
2. Hedging derivatives	-	-	-
Total 2020	-	-	630
Total 2019	-	1	50,644

Section 2 - Prudential consolidation risks

In this section, the data traditionally include, in proportion to the interest held, also the assets and liabilities of the company REDO SGR S.p.A., a joint venture investment of the subsidiary InvestiRE SGR S.p.A., consolidated proportionally for supervisory purposes.

The table below shows the reconciliation of the consolidated statement of financial position data with the statement of financial position data relating to the supervisory perimeter.

STATEMENT OF FINANCIAL POSITION
(in thousands of euros)

	Assets	31/12/2020 Financial statements	Effects of consolidation of counterparties other than those included in the banking Group (*)	31/12/2020 Supervision
10.	Cash and cash equivalents	711	-	711
20.	Financial assets at fair value through profit or loss	27,867	-	27,867
	a) financial assets held for trading	6,847	-	6,847
	c) other financial assets mandatorily measured at fair value	21,020	-	21,020
30.	Financial assets at fair value through other comprehensive income	341,825	-	341,825
40.	Financial assets at amortised cost	1,378,338	1,666	1,380,004
	a) loans and receivable with banks	124,563	1,360	125,923
	b) loans and receivables with customers	1,253,775	306	1,254,081
70.	Equity investments	10,694	(4,037)	6,657
90.	Property, equipment and investment property	17,899	234	18,133
100.	Intangible assets	31,170	2,503	33,673
	of which:			
	- goodwill	28,129	2,300	30,429
110.	Tax assets	10,319	49	10,368
	a) current	809	-	809
	b) deferred	9,510	49	9,559
130.	Other assets	23,310	71	23,381
	Total assets	1,842,133	486	1,842,619

(*) the effects are attributable to the consolidation of REDO SGR S.p.A. using the proportional method (20% stake held by the subsidiary InvestiRE SGR S.p.A.)

STATEMENT OF FINANCIAL POSITION
(in thousands of euros)

	Liabilities and equity	31/12/2020 Financial statements	Effects of consolidation of counterparties other than those included in the banking Group (*)	31/12/2020 Supervision
10.	Financial liabilities at amortised cost	1,552,963	-	1,552,963
	a) due to banks	157	-	157
	b) due to customers	1,552,806	-	1,552,806
	c) securities issued	-	-	-
20.	Financial liabilities held for trading	40	-	40
60.	Tax liabilities	1,706	-	1,706
	a) current	487	-	487
	b) deferred	1,219	-	1,219
80.	Other liabilities	18,804	452	19,256
90.	Post-employment benefits	5,605	34	5,639
100.	Provisions for risks and charges:	313	-	313
	a) commitments and guarantees given	246	-	246
	c) other provisions for risks and charges	67	-	67
120.	Valuation reserves	7,627	-	7,627
150	Reserves	151,029	-	151,029
170.	Share capital	72,576	-	72,576
130.	Treasury shares (-)	(14,059)	-	(14,059)
190.	Non-controlling interests (+/-)	40,438	-	40,438
200.	Profit for the year (+/-)	5,091	-	5,091
	Total liabilities and equity	1,842,133	486	1,842,619

(*) the effects are attributable to the consolidation of REDO SGR S.p.A. using the proportional method (20% stake held by the subsidiary InvestiRE SGR S.p.A.)

1.1 - Credit risk

Qualitative information

1. General aspects

The Group defined the credit risk as the risk to incur losses due to the unexpected worsening of the creditworthiness of a customer, also following contractual default. The credit risk can be broken down into:

- default risk: risk that the borrowing counterparty is unable to meet its own obligations;
- spread/migration risk: risk of change in the counterparty's credit rating that determines an effect on the market value of the credit position;
- recovery risk: risk that the recovery actually achieved at the end of the liquidation of a counterparty's assets becomes insolvent is lower than what was originally estimated by the bank.

The credit risk of the Bank is continuously monitored by the Risk Control Function of the Parent Company, by the Credits Department, by the Credits Committee and by the other assigned functions.
For the quantification of the current internal capital on credit risk, the standardised methodology for determining the prudential capital requirements per Regulation EC 575/2013 is used.

Impacts resulting from the COVID-19 pandemic

Following the spread of the COVID-19 pandemic, the Bank allowed its customers who requested it and had the required requisites, to take advantage of the moratoriums provided for by the Cura Italia Decree.
The Bank has also implemented a voluntary commercial initiative with performing customers aimed at suspending the payment of the principal amount of mortgages and other loans with repayment in instalments. The suspension has a maximum duration of 12 months for companies and 6 months for individuals, extending the duration of the loan by the corresponding period; this initiative was aimed at all customers whose debt exposures are not classified as impaired credit exposures.

2. Credit risk management policies

2.1 Organisational aspects
The Bank's strategy, which has always been directed at optimising customer relationship, is oriented to perform high value added financial services to high standing customers, with the goal of securing their loyalty.

With this view, the Bank intends to offer to customers or potential customers, in addition to services of primary interest, such as those relating to private banking, to investment banking, fiduciary and financial consultancy, also credit facilities to build long-term relationships. For the performance of assets entailing the assumption of credit risk, the Bank has adopted a dedicated Credit Regulation, formalising the processes and the criteria to be applied to the issue of new loans or in the concession of credit facilities consistently with the credit policies and corporate strategic guidelines.

The credits issued by the Bank can be mainly classified in the following categories:

- loans to customers and to banks (typically irrevocable credit line on demand and at maturity and mortgages requiring fixed or otherwise determinable payments);
- trade receivables;
- repurchase agreements.

After their initial recognition, receivables are at their amortised cost, which is equal to the initial recognition value reduced/increased by capital repayments, by any impairment losses/value recoveries and by the amortisation calculated with the effective interest rate method.

In order to mitigate credit risk and avoid situations that would imply losses and write-downs on the loan portfolio, the Bank carries out credit activities that privilege receivables "guaranteed" by collateral securities or those guaranteed by liens on securities, asset management and property mortgages. Well-known customers are occasionally granted credit lines based on the creditworthiness of the customer in question.

Moreover, the company structure and organisation - which are characterised by the reduced size and accurate formalisation of credit line/loan disbursement procedures - enable to offer customers primary services, granted with rapid appraisal processes.

The operating strategy adopted by the Bank and outlined above ensured that:

- transactions carried out have low-risk exposures;
- the amount of bad loans (net of value impairment losses) is contained to a percentage of roughly 1% of total loans to customers included in table A.1.1 Breakdown of credit exposures by portfolio classification and credit quality shown in the next few pages;
- lending activities provide positive image and prestige feedback for the Bank, with a positive impact on "traditional" activities.

2.2 Management, measurement and control systems

The valuation of credit risk and creditworthiness of customers is carried out by delegated bodies, which operate by means of proper proxies. The delegated bodies receive all information necessary to evaluate the creditworthiness of the customers, so that they can readily express their opinion on credit line transactions.

The Bank's credit process is illustrated below.

<u>Evaluation of the creditworthiness of credit line applicants</u>

Creditworthiness evaluation, which is performed according to a specific procedure, is mainly aimed at verifying that credit line applicants have the ability to reimburse as well as verifying the compatibility of the individual credit line applications and the company's strategies with regard to the chosen size and breakdown of the credit portfolio.

The company functions that are involved in the creditworthiness assessment procedure act as follows:

- they accept the loan application of customers;
- they gather the documents required to examine the asset, financial and economic situation of the loan applicant and any guarantor to start filling in all the credit line forms;
- they analyse the qualitative information concerning the new customers and update the information of former customers whose creditworthiness has already been assessed;
- they verify the reliability of the data included in the document and in the information required;
- they formulate, by reference to the files set up, a creditworthiness score of the loan applicant;
- they examine all the various relationships that the Bank has in place with the same loan applicant, both credit and debit ones, and compare loans granted with guarantees offered and guarantees received with proposed guarantors;
- they prepare a summary of the assessments based on the creditworthiness of the customer and formulate an opinion with regard to the amount of the loan that could be granted, the technical use of the loan by the customer, and specify the guarantees to be received based on both qualitative and quantitative information.

The Bank also carries out a qualitative assessment of the credit exposures on the basis of a managerial internal rating system offered by the outsourcer CSE that allows to classify customers, dividing them into risk classes to which correspond different probabilities of default.

For the assessment of the creditworthiness and the connected division into rating classes, the main areas of investigation cover the analysis of the data listed below:

- internal performance data;
- system performance data (report from central credit register);
- financial statement information (central financial statement archives);
- socio-demographic information;
- variables are estimated individually on the areas of investigation and subsequently integrated in the final model, separately for individuals and enterprises.

Credit granting

Credit granting is performed by the Deliberative Body, taking all the reasons supporting the definition of the amount that could be granted and the guarantees requested into due consideration, based on the risk inherent in the transaction. Once the loan proposal has been positively resolved upon:

- the guarantees are obtained and the loan granting process takes place;
- the credit line/loan is granted;
- the transaction is implemented in the IT system so that it can be regularly verified: instalments due, review of the interest rate, if contractually provided for, and/or of the associated guarantees.

Management of anomalous loans

The management of anomalous loans is carried out through a careful and periodic analysis of expired positions by the company functions responsible, the Credits Committee and with the supervision of the General Management. In particular, the General Management of the Bank and the functions concerned receive, at a predetermined frequency, appropriate reports containing the trend of non-performing loans, broken down by customer with or without loans.

"Non-performing" loans of the Group, net of write-downs, amounted in total to 21,779 thousand euros, of which 11,594 thousand euros were bad loans, 10,007 thousand euros were unlikely to pay and 178 thousand euros were past due exposures.

To this end, it should be stressed that non-performing loans after impairment losses at the end of 2020 accounted for 1.7% of the total amount of the item loans to customers detailed in table A.1.1 Breakdown of credit exposures by portfolio classification and credit quality below.

Carrying out stress tests

The Bank performs stress tests every six months on credit risk in order to quantify the absorption of capital and to determine the related capital ratios. The methodologies adopted for conducting the stress test on the credit and counterparty risk assumes two different stress scenarios occurring at the same time and due to an increase in bad loans and non-performing loans and a reduction in the value of the collateral securities held.

2.3 Methods for measuring expected losses

The criteria and rationale used for the purposes of determining expected losses are described in the ECL Policy of the Bank, whose scope of application consists of financial and trade receivables, as well as owned financial instruments, to verify and assess their creditworthiness.

The amount of expected losses depends on the extent of the impairment of the credit quality with respect to the initial recognition and takes into account the guarantees held to mitigate the credit risk.

Consistently with the provisions of IFRS 9, the Bank has adopted the following approach for calculating impairment:
- 12-months expected credit losses (Stage 1): if, at the reporting date, the credit risk of a financial instrument is not significantly increased with respect to the date of "first recognition", the Bank measures the losses for this financial instrument as the amount equal to the losses expected in the following 12 months;
- Lifetime expected credit losses (Stage 2): at each reporting date, the Bank measures the losses for a financial instrument as the amount equal to lifetime expected losses if the credit risk of this instrument increased significantly with respect to the date of first recognition.

Concerning the staging rules and the criteria for the recognition of credits in the respective "buckets", reference is made to the Staging Allocation Policy approved by the Board of Directors.

In accordance with the provisions of IFRS 9, the model entails the calculation of a provision at each cash flow date of the loan to carry out a "multi-period" final totalisation. In case of loans at maturity, a calculation is made at each future instalment, while for on-demand loans a single calculation is made relating to the cash flow at the maturity date.

For each period, the calculation is as follows:

•ECL(t) = EAD(t) * LGD(t) * PD marginal(t) * DF(t)

•ECL(t) = contribution to the provision of period t (from initial date of validity to date of maturity).

The first period (first instalment for items at maturity or all those on demand) always starts from the date of calculation of the provisions.

•t = cash flow maturity date

•EAD(t) = exposure at date t; amortised cost for loans at maturity, balance for loans on demand

•LGD(t) = lgd at time t obtained with IFRS 9 logic

•PD marginal(t) = PD cumulated(t) - PD cumulated (t-1) derived from the PD lifetime curves for the segment and the class associated with the counterparty

•DF(t) = discount at time t calculated at IRR (internal rate of return) on a 360 basis

The expected credit loss of the financial instruments represented by securities is drawn up by a leading specialised external company and provided, for each financial instrument, through management applications. The information flow has quarterly periodicity and the organisational units apply the rules prescribed in the Staging Allocation Policy for classification in the correct reference bucket. Default probability measures are extracted from quoted credit spreads and thus have an information content able to summarise the expectation of occurrence of future events incorporated by the market (forward looking measures). The probability of default and the LGD are estimated for each individual issuer and associated with the respective issues, providing a differentiation by level of subordination (senior and subordinate issues).

The default probability term structure for each issuer is estimated starting from the information and from the credit spreads quoted daily on the financial markets (i.e. CDS spreads and bond prices). Specific credit spread of individual issuers are preferentially used; in this context, a credit spread is considered specific when it can be directly referred to the "risk group" to which the measured issuer belongs. If, for a given issuer, equally significant specific credit spreads are available on multiple markets, the market used preferentially is that of the CDS.

The individual issuers are mapped to the comparable issuer or to the reference cluster on the basis of the following axes of analysis:

- industrial sector,

- geographic area of interest,
- rating (ECAI),
- analysis of the fundamental financial statement data.

For financial instruments, the loss given default is assumed to be constant throughout the time horizon of the financial asset analysed and it is a function of two factors:
-ranking of the instrument;
- classification of the country of the issuer entity.

For countries considered to be developed, the LGD is set to 0.6 for senior issues and 0.8 for subordinate issues. For covered issues, the value changes with changes in the rating attributed to the individual security in question. Otherwise for emerging countries for equal subordination the level of the LGD is higher, as senior issues shall be subject to an LGD of 0.75 and subordinate issues to an LGD of 1.

Scenarios

The impairment model adopted by the Bank, in observance of the provisions of IFRS 9, envisages the use of "forward looking scenarios" which are identified in the form of a "baseline scenario", "up scenario" and "down scenario", with a probability of occurrence associated to each one. In compliance with the principle of proportionality, also dictated by the low volumes of credit exposures, the Bank has adopted models and scenarios drawn up by a leading specialised external provider.

The scenarios contain forecasts on the main macroeconomic variables, the probability of occurrence of the scenarios is 90% for the "base scenario" and 5% for the "UP scenario" and the "Down scenario".

During the 2020 financial year, starting from the half-year report drawn up at 30 June, the Bank updated the macroeconomic scenarios to immediately consider the impacts of the pandemic within the forward looking information.

With the objective of carrying out a sensitivity analysis on the provision for the purposes of IFRS 9 (loans to customers and due from banks in stage 1 and stage 2), the Bank conducted an estimate in the assumption of the total adoption of a Down scenario (probability of 100%) on the curves used to calculate impairment at 31 December 2020. The analyses show that an increase in the provision would be recorded amounting to roughly 300 thousand euros, an amount that, in percentage terms, accounts for 10% of the total generic impairment losses on loans to customers and due from banks in stage 1 and stage 2.

Changes due to Covid-19

To determine the collective write-down of performing positions, the bank, as in previous years, used the consortium model developed by the IT outsourcer in accordance with IFRS 9, which takes into account the updating of the historical series of risk parameters and macroeconomic factors based on the latest available forecasts.

<u>Assessment of the significant increase in credit risk (SICR)</u>

The Bank assessed any increase in credit risk using current and prospective reasonable and sustainable information at the date of preparation of these financial statements. Furthermore, on the occasion of the introduction of the support measures for businesses consisting of the State guarantee on bank loans, an LGD was considered that takes into account their presence. The economic support measures put in place by the Government to support debtors in response to COVID-19 were not considered as measures automatically triggering a SICR.

Measurement of expected losses

As regards the information on the adjustments made to the expected loss measurement models, as previously specified, the Bank uses the estimation model implemented by the IT outsourcer which incorporates the macroeconomic scenarios, implemented by a primary supplier; for the purpose of calculating the impairment, these scenarios weigh: base scenario at 90%, up scenario at 5% and down scenario at 5%. Details of the main scenario used (base scenario) are shown below.

BASE SCENARIO

		2019	2020	2021	2022	2023	2024
Brent oil: $ per barrel	level	64.00	43.00	45.00	46.00	52.00	60.00
Dollar euro exchange rate	level	1.12	1.14	1.13	1.14	1.15	1.15
EMU refinancing rate	level %	0.00	0.00	0.00	0.00	0.00	0.00
10Y Bund interest rate	level %	-0.24	-0.48	-0.48	-0.42	-0.23	0.22
Spread 10Y BTP-Bund	level %	2.16	1.73	1.59	1.39	1.21	1.18
Developing countries GDP	% change	3.70	-5.00	6.00	4.10	4.20	4.00
US GDP	% change	2.20	-4.20	3.90	2.60	2.10	1.90
EMU GDP	% change	1.30	-8.00	5.30	2.80	1.80	1.40
Italy stock index	% change	-0.40	-6.10	2.50	18.30	0.80	1.10
Italy GDP	% change	0.30	-9.60	6.20	2.80	1.80	1.30
FOB imports of goods and services	% change	-0.20	-14.00	15.10	8.50	4.60	4.20
Expenditure by resident families and Isp	% change	0.40	-10.60	5.70	2.80	1.70	1.50
Public administrations expense	% change	-0.40	0.20	2.60	0.20	0.00	-0.30
Investments in construction	% change	2.60	-10.80	13.50	7.00	2.60	2.50
Investments in machinery, equipment, products, various, mt	% change	0.40	-14.20	7.90	13.00	6.40	4.10
FOB exports of goods and services	% change	1.40	-16.90	15.40	4.30	2.90	3.10
Consumption propensity	level %	92.30	85.20	88.80	90.10	91.00	91.70
Consumer prices	% change	0.60	-0.10	0.70	1.10	1.50	1.70
Unemployment rate	level %	60.80	59.70	59.80	60.50	61.20	61.70
Unemployment rate	level %	9.90	9.80	11.30	10.80	10.30	9.90

BASE SCENARIO

		2019	2020	2021	2022	2023	2024
Total loans adjusted for disposals	% change	0.60	4.60	1.90	2.20	1.90	1.70
Total loans	% change	-1.90	3.10	1.20	1.50	1.40	1.40
Loans to non financial institutions	% change	-7.00	8.00	-0.70	0.80	0.70	0.60
Loans to households	% change	0.70	-0.20	3.60	2.80	2.60	2.50
Bad Loans	% change	-27.40	-23.40	-4.20	-13.20	-12.40	-11.60
Households, (total assets, stocks)	% change	5.20	0.20	4.20	3.10	2.10	2.00
- liquidity portion	level %	32.90	34.30	33.40	32.70	32.10	31.50
- securities portion	level %	6.10	6.10	5.60	5.20	4.90	4.70
- mutual funds unit	level %	10.80	10.90	11.40	11.80	12.20	12.50
- technical reserves portion	level %	25.30	25.80	25.80	26.10	26.50	26.80
- shares and equity investments portion	level %	21.80	19.70	20.40	21.00	21.10	21.20
Average interest rate on loans	level %	2.55	2.38	2.33	2.35	2.36	2.46
3-month EMU interbank rate	level %	-0.33	-0.40	-0.47	-0.44	-0.40	-0.27
3Y EURIRS interest rate	level %	-0.26	-0.38	-0.51	-0.46	-0.34	-0.03
10Y EURIRS interest rate	level %	0.26	-0.10	-0.11	-0.02	0.17	0.58
3Y BTP interest rate	level %	0.53	0.26	-0.09	-0.19	-0.15	0.17
10Y BTP interest rate	level %	1.91	1.25	1.11	0.96	0.98	1.39

2.4 Credit risk mitigation techniques

Credit risk mitigation techniques are an instrument to reduce or transfer part of the credit risk on the exposures originated and to reduce the loss that would be incurred in case of counterparty default (Loss given default).

Credit risk mitigation is carried out by privileging mainly transactions guaranteed by collateral securities. Credit lines and disbursements are granted, by the corporate bodies, only after a careful analysis of the creditworthiness and the validity and consistency of the guarantees given. Guarantees shall be explicit and not subject to conditions, as prescribed by the Supervisory Instructions.

The collateral most used by the Bank consists of mortgages on residential and non-residential properties, lines on financial instruments and on liquidity. With the objective of identifying and preventing the deterioration of the value of the guarantees held, on the collateral, the estimated or appraised value of the asset (net of any encumbrances) or the market value, in the case of listed securities, is monitored. For property assets pledged as collateral, and subject to value oscillations, a "deviation" is applied on the value as such subjected to periodic revisions and otherwise every time there are sensitive contractions on their price. In relation to mortgages, the value of properties is periodically revised. For this purpose, the Bank relies on third parties with proven experience on the basis of the provisions of Article 120-duodecies of the Consolidated Law on Banking.

In case of personal guarantees received, the guarantor shall take on the legally binding commitment to meet the obligations relating to one or more credit issues pertaining to a determined party. With reference to "comfort letters", the only ones to be considered are those that are not declarative of the equity investment relationship of the parent company, but for which the guarantee function is pre-eminent, because the commitment made can actually represent a surety obligation, with accessory character with respect to the main one of the subsidiary.

3. Non-performing credit exposures

3.1 Management strategies and policies

The classification of impaired financial assets in the different default categories takes place in compliance with the instructions issued by the Supervisory Authority according to the indications of Bank of Italy's Circular 272 of 2008 (as updated). Receivables classified as bad loans are subjected to an itemised assessment by the Credits Committee, by the Credits Department and by the Risk Management Function which analyse the position and the Guarantees held in order to estimate their estimated realisable value. The analysis carried out follows criteria clearly defined in the company Policies. Within this context, the recovery times are also established, so-called Time value on bad loans. UTP and Past due loans, in accordance with IFRS 9, are subjected to a process of valorisation of the provision that incorporates the forward looking valuation.

In consideration of the small number of positions classified as past due or UTP, and with the goal of making a valuation that is as refined as possible, the Bank also carries out itemised assessments of past-due and UTP loans using the same logic prescribed for loans classified as bad loans, when peculiarities are identified that make itemised valuation more reliable than statistical valuation.

The monitoring of receivables to customers carried out by the Risk Control Organisation Unit, which, with the support of automated IT instruments, prepares on an established basis appropriate reports for the Senior Management. Subsequent measurement and classification of non-performing loans are carried out by special committees set up within the Bank, which assess each time single credit exposures, the customers' creditworthiness, guarantees and all other relevant factors that may affect the assessment of credit exposures.

With reference to bad loans, management is carried out by the Legal Department for the collection activities.

3.2 Write-off

A write-off is an event that gives rise to derecognition when there no longer are any reasonable expectations to recover the financial asset. It can take place before legal actions to recover the financial asset have been exhausted and it does not necessarily entail the waiver of the bank's legal right to recover the receivable.

The write-off can involve the entire amount of a financial asset or a portion thereof, and corresponds:

- to the reversal of total impairment losses, as a corresponding item of the gross value of the financial asset, and
- for the part exceeding the amount of the total impairment losses, to the impairment of the financial asset recognised directly in the income statement.

Any amounts recovered from collection after write-off are recognised in the income statement among value recoveries.

The term "Total write-offs" means the cumulated amounts of the partial and total write-offs on financial assets.

During the financial year ended 31 December 2020, the amount of written-off position amounted to 272 thousand euros.

3.3 Acquired or originated impaired financial assets

They represent exposures that meet the definition of acquired or originated impaired financial asset as per Appendix A of IFRS 9. This includes, inter alia, impaired credit exposures acquired as part of disposal transactions (individual or portfolio) and business combinations.

At 31 December 2020, the Bank does not hold any financial assets belonging to this category.

4. Financial assets subject to renegotiation and forborne exposures

"Forborne exposures" are those deriving from concessions made in the presence of both of the following conditions:

- the borrower is (or is about to become) incapable of fulfilling the terms of the agreement as a result of financial hardship;
- the lender makes a favourable concession to the borrower because of the hardship pointed out.

The classification as forborne is assigned at the level of individual credit facility upon occurrence of specific conditions of difficulty of the borrower to fulfil his commitments, associated with an activity of the Bank directed at overcoming these difficulties (forbearance measures).

Forborne exposures can be both in each of the categories of non-performing loans and among performing loans, in relation to the state of risk of the exposure at the time of the granting.

With reference to the two main directives, dictated by the EBA first and foremost, by Circular 272 and expressed and clarified with the Report of the Consultation prepared by Bank of Italy, the Bank sets the following lines for:

- identification of forbearance measures;
- management and monitoring of the receivables subjected to these measures.

In general, the following forbearance measures are identified:

f) maturity date extension;
g) reduction of the interest rate applied;
h) transformation of the credit facility from maturity to revocation;
i) change to instalment periodicity;
j) change to type of amortisation.

According to the internal Policies, this does not include the forbearance measures applied by the Bank to borrowers that do not have financial hardship conditions considering:

- either earning capacity;
- or the credit reserve with the banking system and their ability to obtain loans from it.

The attribution of the forborne qualification rests with the body that decides to apply the forbearance measure. The management of forborne loans takes place through the IT procedure and monitoring entails, among other activities, a quarterly information report to the Credits Committee in addition to the intervention of the head of the Risk Control in Credits Committee every time a currently or previously forborne position is analysed.

At 31 December 2020, the Bank had 36 "forborne" exposures of which:

- 14 non-performing positions totalling 37,105 thousand euros (18,456 thousand euros after write-downs), of which 3 positions included among bad loans of 24,194 thousand euros and 11 positions included among unlikely to pay of 12,911 thousand euros.
- 22 performing positions totalling 12,887 thousand euros.

The EBA, in several documents, has clarified that the legislative moratoriums granted in response to the COVID-19 emergency do not involve an automatic classification of the position as forbearance.
Banca Finnat has defined the criteria which, if respected, do not lead to the classification as forborne of a position that benefited from the moratorium.
As regards the process of assessing the SICR and measuring the expected losses, please refer to the previous paragraph "2.3 Methods for measuring expected losses", sub-paragraph "Changes due to COVID-19".

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Quantitative information

C. Credit quality

A.1 Non-performing and performing exposures: balances, impairment losses, changes, breakdown by type

A.1.1 Prudential consolidation - Breakdown of credit exposures by maturity brackets (book values)

Portfolio/risk stages	Stage 1			Stage 2			Stage 3		
	From 1 day to 30 days	From over 30 days to 90 days	More than 90 days	From 1 day to 30 days	From over 30 days to 90 days	More than 90 days	From 1 day to 30 days	From over 30 days to 90 days	More than 90 days
1. Financial assets at amortised cost	1,656	-	41	1,590	1,938	1,323	7,567	47	12,183
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
3. Financial assets under disposal	-	-	-	-	-	-	-	-	-
Total 2020	1,656	-	41	1,590	1,938	1,323	7,567	47	12,183
Total 2019	13,533	292	-	38,724	2,354	830	-	627	15,848

A.1.2 Financial assets, commitments to lend funds and financial guarantees given: changes in total impairment losses and total allocations (1 of 2)

Reasons/risk stages	Total impairment losses							
	Assets in stage 1				Assets in stage 2			
	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	of which: individual write-downs	of which: collective write-downs	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	of which: individual write-downs	of which: collective write-downs
Total opening impairment losses	1,425	593	2,016	-	1,472	3	1,475	-
Increases from acquired or originated financial assets	1,408	40	1,448	-	1,479	-	1,479	-
Derecognitions other than write-offs	(1,137)	(58)	(1,195)	-	(1,110)	(3)	(1,107)	-
Net losses/recoveries on credit risk	(188)	(475)	(663)	-	(37)	-	(37)	-
Contractual changes without derecognition	-	-	-	-	(286)	-	(286)	-
Changes in estimation methodology	-	-	-	-	-	-	-	-
Write-offs not recognised directly in the income statement	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-	-
Total closing impairment losses	1,508	100	1,606	-	1,518	-	1,524	-
Recoveries from collection on financial assets written off	-	-	-	-	-	-	-	-
Write-offs recognised directly in the income statement	6	-	6	-	6	-	6	-

A.1.2 Financial assets, commitments to lend funds and financial guarantees given: changes in total impairment losses and total allocations (continuation 2 of 2)

Reasons/risk stages	Total impairment losses					Total allocations on commitments to lend funds and financial guarantees given			Total
	Assets in stage 3				of which: acquired or originated impaired financial assets				
	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	of which: individual write-downs	of which: collective write-downs		Stage 1	Stage 2	Stage 3	
Total opening impairment losses	24,368	-	24,368	-	-	82	7	13	27,963
Increases from acquired or originated financial assets	2,928	-	2,928	-	-	211	22	-	6,088
Derecognitions other than write-offs	(39)	-	(39)	-	-	(82)	(8)	-	(2,437)
Net losses/recoveries on credit risk	(543)	-	(543)	-	-	-	-	-	(1,243)
Contractual changes without derecognition	2,891	-	2,891	-	-	-	-	-	2,605
Changes in estimation methodology	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly in the income statement	(260)	-	(260)	-	-	-	-	-	(260)
Other changes	(126)	-	(126)	-	-	-	-	-	(126)
Total closing impairment losses	29,219	-	29,219	-	-	211	21	13	32,590
Recoveries from collection on financial assets written off	-	-	-	-	-	-	-	-	-
Write-offs recognised directly in the income statement	-	-	-	-	-	-	-	-	12

A.1.3 Prudential consolidation - Financial assets, commitments to lend funds and financial guarantees given: transfers between the different credit risk stages (gross and nominal values)

Portfolio/risk stages	Gross values/nominal value					
	Transfers between stage 1 and stage 2		Transfers between stage 2 and stage 3		Transfers between stage 1 and stage 3	
	From stage 1 to stage 2	From stage 2 to stage 1	From stage 2 to stage 3	From stage 3 to stage 2	From stage 1 to stage 3	From stage 3 to stage 1
1. Financial assets at amortised cost	36,550	10,409	12,060	600	162	-
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-
3. Commitments to lend funds and financial guarantees given	4,756	1,233	-	-	-	-
Total 2020	41,306	11,642	12,060	600	162	-
Total 2019	18,217	7,339	9,631	21	15,554	113

A.1.3a Prudential consolidation - Loans subject to COVID-19 support measures: transfers between the different credit risk stages (gross values)

Portfolio/risk stages	Gross values					
	Transfers between stage 1 and stage 2		Transfers between stage 2 and stage 3		Transfers between stage 1 and stage 3	
	From stage 1 to stage 2	From stage 2 to stage 1	From stage 2 to stage 3	From stage 3 to stage 2	From stage 1 to stage 3	From stage 3 to stage 1
A. Financial assets at amortised cost	10,871	86	-	-	-	-
A.1 Loans subject to forbearance compliant with GL	10,871	86	-	-	-	-
A.2. Loans subject to other forbearance measures	-	-	-	-	-	-
A.3 New loans	-	-	-	-	-	-
B. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-
B.1 Loans subject to forbearance compliant with GL	-	-	-	-	-	-
B.2. Loans subject to other forbearance measures	-	-	-	-	-	-
B.3 New loans	-	-	-	-	-	-
1. Financial assets held for trading	10,871	86	-	-	-	-
2. Hedging derivatives	-	-	-	-	-	-

A.1.4 Prudential consolidation - On-balance sheet cash and off-balance sheet credit exposures to banks: gross and net amounts

Type of exposures/Amounts	Gross exposure		Total impairment losses and total allocations	Net exposure	Total partial write-offs*
	Non-performing	Performing			
A. On-balance sheet credit exposures					
a) Bad Loans	-	X	-	-	-
- of which: forborne exposures	-	X	-	-	-
b) Unlikely to pay	-	X	-	-	-
- of which: forborne exposures	-	X	-	-	-
c) Non-performing past due exposures	-	X	-	-	-
- of which: forborne exposures	-	X	-	-	-
d) Performing past due exposures	X	-	-	-	-
- of which: forborne exposures	X	-	-	-	-
e) Other performing exposures	X	161,186	133	161,053	-
- of which: forborne exposures	X	-	-	-	-
Total A	-	161,186	133	161,053	-
B. Off-balance sheet credit exposures					
a) Non-performing	-	X	-	-	-
b) Performing	X	686	1	685	-
Total B	-	686	1	685	-
Total A+B	-	161,872	134	161,738	-

A.1.5 Prudential consolidation - On-balance sheet and off-balance sheet credit exposures to customers: gross and net amounts

Type of exposures/Amounts	Gross exposure		Total impairment losses and total allocations	Net exposure	Total partial write-offs*
	Non-performing	Performing			
A. On-balance sheet credit exposures					
a) Bad Loans	37,086	X	25,492	11,594	-
- of which: forborne exposures	24,194	X	15,273	8,921	-
b) Unlikely to pay	13,711	X	3,704	10,007	-
- of which: forborne exposures	12,911	X	3,376	9,535	-
c) Non-performing past due exposures	201	X	23	178	-
- of which: forborne exposures	0	X	0	-	-
d) Performing past due exposures	X	6,765	217	6,548	-
- of which: forborne exposures	X	639	3	636	-
e) Other performing exposures	X	1,523,701	2,784	1,520,917	-
- of which: forborne exposures	X	12,248	358	11,890	-
Total A	50,998	1,530,466	32,220	1,549,244	-
B. Off-balance sheet credit exposures					
a) Non-performing	302	X	13	289	-
b) Performing	X	210,986	232	210,754	-
Total B	302	210,986	245	211,043	-
Total A+B	51,300	1,741,452	32,465	1,760,287	-

* Value to be reported for disclosure purposes.

A.1.5a Prudential consolidation - Loans subject to COVID-19 support measures: gross and net values

Type of exposures/Amounts	Gross exposure	Total impairment losses and total allocations	Net exposure	Total partial write-offs*
A. Bad loans:	-	-	-	-
a) Loans subject to forbearance compliant with GL	-	-	-	-
b) Loans subject to other forbearance measures	-	-	-	-
c) New loans	-	-	-	-
B. Loans in unlikely to pay:	-	-	-	-
a) Loans subject to forbearance compliant with GL	-	-	-	-
b) Loans subject to other forbearance measures	-	-	-	-
c) New loans	-	-	-	-
C. Non-performing past due loans:	-	-	-	-
a) Loans subject to forbearance compliant with GL	-	-	-	-
b) Loans subject to other forbearance measures	-	-	-	-
c) New loans	-	-	-	-
D. Performing past due loans:	-	-	-	-
a) Loans subject to forbearance compliant with GL	-	-	-	-
b) Loans subject to other forbearance measures	-	-	-	-
c) New loans	-	-	-	-
E. Other performing loans:	30,718	628	30,090	-
a) Loans subject to forbearance compliant with GL	18,663	594	18,069	-
b) Loans subject to other forbearance measures	-	-	-	-
c) New loans	12,055	34	12,021	-
Total A+B+C+E	30,718	628	30,090	-

* Value to be reported for disclosure purposes.

A.1.7 Prudential consolidation - On-balance sheet credit exposures to customers: changes in gross non-performing exposures

Reason/Category	Bad Loans	Unlikely to pay	Non-performing past due exposures
A. Gross opening exposure	29,482	8,230	3,131
- of which: exposures sold and not derecognised			
B. Increases	9,166	5,911	360
B.1 inflows from performing exposures	8,824	3,394	245
B.2 inflows from acquired or originated impaired financial assets	-	-	-
B.3 transfers from other categories of non-performing exposures	104	2,225	-
B.4 contractual changes without derecognition	-	-	-
B.5 other increases	238	292	115
C. Decreases	1,562	430	3,290
C.1 outflows to performing exposures	-	-	1
C.2 write-offs	257	-	3
C.3 collection	216	309	1,042
C.4 gains from disposals	-	-	-
C.5 losses from disposals	-	-	-
C.6 transfers to other categories of non-performing exposures	3	104	2,222
C.7 contractual changes without derecognition	-	-	-
C.8 other decreases	1,086	17	22
D. Gross closing exposure	37,086	13,711	201
- of which: exposures sold and not derecognised			

A.1.7bis Prudential consolidation - On-balance sheet credit exposures to customers: changes in gross forborne exposures by credit quality

Reasons/Quality	Forborne exposures: non-performing	Forborne exposures: not impaired
A. Gross opening exposure	24,165	6,927
- of which: exposures sold and not derecognised	-	-
B. Increases	14,006	9,400
B.1 inflows from non forborne performing exposures	8,879	8,812
B.2 inflows from forborne performing exposures	3,013	X
B.3 inflows from forborne non-performing exposures	X	-
B.4 other increases	2,114	588
C. Decreases	1,066	3,440
C.1 outflows to non-forborne performing exposures	X	-
C.2 outflows to forborne performing exposures	-	X
C.3 outflows to forborne non-performing exposures	X	3,013
C.4 write-offs	-	-
C.5 collection	119	284
C.6 gains from disposals	-	-
C.7 losses from disposals	-	-
C.8 other decreases	947	143
D. Gross closing exposure	37,105	12,887
- of which: exposures sold and not derecognised		

A.1.9 Prudential consolidation - Non-performing on-balance sheet credit exposures to customers: changes in total impairment losses

Reason/Category	Bad Loans		Unlikely to pay		Non-performing past due exposures	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. Total opening impairment losses	22,620	12,338	1,664	1,505	84	-
- of which: exposures sold and not derecognised	-	-	-	-	-	-
B. Increases	3,495	2,935	2,238	1,872	19	-
B.1 impairment losses from acquired or originated impaired financial assets	-	X	-	X	-	X
B.2 other impairment losses	3,449	2,892	2,106	1,800	17	-
B.3 losses from disposals	-	-	-	-	-	-
B.4 transfers from other categories of non-performing exposures	2	-	55	-	-	-
B.5 contractual changes without derecognition	-	X	-	X	-	X
B.6 other increases	44	43	77	72	2	-
C. Decreases	623	-	198	1	80	-
C.1 valuation value recoveries	200	-	159	1	1	-
C.2 cash value recoveries	177	-	39	-	19	-
C.3 profit from disposals	-	-	-	-	-	-
C.4 write-offs	245	-	-	-	3	-
C.5 transfers to other categories of non-performing exposures	1	-	-	-	57	-
C.6 contractual changes without derecognition	-	X	-	X	-	X
C.7 other decreases	-	-	-	-	-	-
D. Total closing impairment losses	25,492	15,273	3,704	3,376	23	-
- of which: exposures sold and not derecognised	-	-	-	-	-	-

A.2 Classification of financial assets, of commitments to lend funds and of financial guarantees given on the basis of external and internal rating classes

A.2.1 Breakdown of credit exposures, of commitments to lend funds and of financial guarantees given: by external rating classes (gross values)

Exposures	External rating classes						Without rating	Total
	class 1	class 2	class 3	class 4	class 5	class 6		
A. Financial assets at amortised cost	-	-	858,806	-	-	-	553,447	1,412,253
- Stage 1	-	-	858,806	-	-	-	439,996	1,298,802
- Stage 2	-	-	-	-	-	-	62,456	62,456
- Stage 3	-	-	-	-	-	-	50,995	50,995
B. Financial assets at fair value through other comprehensive income	-	10,252	319,564	-	-	-	-	329,816
- Stage 1	-	10,252	319,564	-	-	-	-	329,816
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
C. Financial assets under disposal	-	-	-	-	-	-	-	-
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
Total (A+B+C)	-	10,252	1,178,370	-	-	-	553,447	1,742,069
of which: acquired or originated impaired financial assets	-	-	-	-	-	-	-	-
D. Commitments to lend funds and financial guarantees given	-	-	-	-	-	-	49,133	49,133
- Stage 1	-	-	-	-	-	-	43,679	43,679
- Stage 2	-	-	-	-	-	-	5,155	5,155
- Stage 3	-	-	-	-	-	-	299	299
Total D	-	-	-	-	-	-	49,133	49,133
Total (A+B+C+D)	-	10,252	1,178,370	-	-	-	602,580	1,791,202

A.2.2 Breakdown of credit exposures, of commitments to lend funds and of financial guarantees given: by internal rating classes (gross values)

The table is not filled in, because the Bank does not use internal ratings.

A.3. Distribution of guaranteed credit exposures by type of guarantee

A.3.2 Prudential consolidation - Secured on-balance sheet and off-balance sheet credit exposures to customers

	Gross exposure	Net exposure	Collateral (1)				Personal guarantees (2)										Total (1)+(2)
							Credit derivatives						Unsecured loans				
			Real estate - mortgages	Real estate - finance leases	Securities	Other collateral	CLN	Other derivatives					Public administrations	Banks	Other financial institutions	Other entities	
								Central counterparties	Banks	Other financial institutions	Other entities						
1. Guaranteed on-balance sheet credit exposures	360,521	333,837	152,848	-	85,524	68,917	-	-	-	-	-		10,277	1,700	506	4,240	324,012
1.1 fully guaranteed	317,879	305,084	152,848	-	81,168	61,549	-	-	-	-	-		4,777	-	506	4,206	305,054
- of which non-performing	26,234	15,582	15,451	-	51	-	-	-	-	-	-		-	-	-	80	15,582
1.2 partly guaranteed	42,642	28,753	-	-	4,356	7,368	-	-	-	-	-		5,500	1,700	-	34	18,958
- of which non-performing	19,269	5,495	-	-	74	1,000	-	-	-	-	-		-	-	-	-	1,074
2. Guaranteed off-balance sheet credit exposures	102,412	102,188	8,139	-	47,824	29,533	-	-	-	-	-		-	-	-	995	86,491
2.1 fully guaranteed	84,885	84,667	8,139	-	47,246	28,286	-	-	-	-	-		-	-	-	995	84,666
- of which non-performing	299	286	-	-	-	286	-	-	-	-	-		-	-	-	-	286
2.2 partly guaranteed	17,527	17,521	-	-	578	1,247	-	-	-	-	-		-	-	-	-	1,825
- of which non-performing	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-

The data refer exclusively to the Bank.

B. Distribution and concentration of credit exposures

B.1 Prudential consolidation - Segment distribution of on-balance sheet and off-balance sheet credit exposures to customers

Exposures/Counterparties	Public administrations		Financial institutions		Financial institutions (of which: insurance companies)		Non financial institutions		Households	
	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses
A. On-balance sheet credit exposures										
A.1 Bad Loans	-	-	124	2,120	-	-	10,232	21,463	1,238	1,909
- of which: forborne exposures	-	-	-	-	-	-	8,921	15,132	-	141
A.2 Unlikely to pay	-	-	14	5	-	-	8,056	3,530	1,937	169
- of which: forborne exposures	-	-	-	-	-	-	7,875	3,314	1,660	62
A.3 Non-performing past due exposures	-	-	3	1	-	-	28	11	147	11
- of which: forborne exposures	-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures	1,145,244	221	90,578	222	-	-	148,195	2,076	143,448	482
- of which: forborne exposures	-	-	76	3	-	-	8,652	305	3,798	53
Total (A)	1,145,244	221	90,719	2,348	-	-	166,511	27,080	146,770	2,571
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures	-	-	-	-	-	-	288	13	1	-
B.2 Performing exposures	-	-	36,622	98	9	-	124,611	106	49,521	28
Total (B)	-	-	36,622	98	9	-	124,899	119	49,522	28
TOTAL (A+B) 31/12/2020	1,145,244	221	127,341	2,446	9	-	291,410	27,199	196,292	2,599
Total (A+B) 31/12/2019	1,357,948	683	192,634	2,692	13	-	302,347	22,064	198,344	2,089

B.2 Prudential consolidation - Geographical distribution of on-balance sheet and off-balance sheet credit exposures to customers

Exposures/Geographic area	Italy		Other European countries		America		Asia		Rest of the world	
	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses
A. On-balance sheet credit exposures										
A.1 Bad Loans	11,591	25,458	-	23	-	-	-	-	3	11
A.2 Unlikely to pay	9,997	3,700	9	4	1	-	-	-	-	-
A.3 Non-performing past due exposures	165	21	13	2	-	-	-	-	-	-
A.4 Performing exposures	1,512,229	2,987	15,209	14	27	-	-	-	-	-
Total (A)	1,533,982	32,166	15,231	43	28	-	-	-	3	11
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures	289	13	-	-	-	-	-	-	-	-
B.2 Performing exposures	209,084	230	1,445	2	225	-	-	-	-	-
Total (B)	209,373	243	1,445	2	225	-	-	-	-	-
TOTAL (A+B) 31/12/2020	1,743,355	32,409	16,676	45	253	-	-	-	3	11
Total (A+B) 31/12/2019	2,038,280	27,501	12,768	27	224	-	1	-	-	-

B.3 Prudential consolidation - Geographical distribution of on-balance sheet and off-balance sheet credit exposures to banks

Exposures/Geographic area	Italy		Other European countries		America		Asia		Rest of the world	
	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses
A. On-balance sheet credit exposures										
A.1 Bad Loans	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
A.3 Non-performing past due exposures	-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures	147,195	100	13,737	33	121	-	-	-	-	-
Total (A)	147,195	100	13,737	33	121	-	-	-	-	-
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	685	1	-	-	-	-	-	-	-	-
Total (B)	685	1	-	-	-	-	-	-	-	-
TOTAL (A+B) 31/12/2020	147,880	101	13,737	33	121	-	-	-	-	-
Total (A+B) 31/12/2019	123,723	408	9,434	28	-	-	-	-	-	-

B.4 Large exposures

a) Amount (book value) 2,256,869 thousand euros
b) Amount (weighted value) 98,885 thousand euros
c) Number 8

The provisions contained in Regulation (EU) no. 575/2013 establish that a large exposure is the exposure of an entity towards a customer or a group of connected customers whose value is equal to or greater than 10% of the entity's admissible capital.

The same provisions establish that the amount of the exposure of an entity towards an individual customer or a group of connected customers may not exceed 25% of the entity's admissible capital. Obviously, the amount of 25% takes into account credit risk attenuation techniques, the type of guarantee acquired and the debtor counterparty.

With the objective of containing Large Exposures within the limits set by the regulatory provisions, the corporate control functions carry out ex ante controls on new disbursements and periodically verify the Bank's overall exposure to customers or groups of connected customers that fall into the category of large exposures. The internal policies also provide for the preparation of adequate reports for the corporate bodies.

C. Securitisation

The Group has not carried out any securitisation transaction. At the reporting date, no such transactions, issued by the Bank, were in place.

D. Disposal of companies

A. Financial assets sold and not derecognised in full

Qualitative information

Financial assets sold and not derecognised in full refer to Government Bonds used in repos carried out exclusively with Cassa di Compensazione e Garanzia.

Quantitative information

D.1 Prudential consolidation - Financial assets sold recognised in full and associated financial liabilities: book values

	Financial assets sold recognised in full				Associated financial liabilities		
	Book value	of which: subject of securitisations	of which: subject of sale agreements with repurchase pact	of which non-performing	Book value	of which: subject of securitisations	of which: subject of sale agreements with repurchase pact
A. Financial assets held for trading	-	-	-	X	-	-	-
1. Debt securities	-	-	-	X	-	-	-
2. Equities	-	-	-	X	-	-	-
3. Loans	-	-	-	X	-	-	-
4. Derivatives	-	-	-	X	-	-	-
B. Other financial assets mandatorily measured at fair value	-	-	-	-	-	-	-
1. Debt securities	-	-	-	-	-	-	-
2. Equities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
C. Financial assets designated at fair value	-	-	-	-	-	-	-
1. Debt securities	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-
D. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-
1. Debt securities	-	-	-	-	-	-	-
2. Equities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
E. Financial assets at amortised cost	858,807	-	858,807	-	853,159	-	853,159
1. Debt securities	858,807	-	858,807	-	853,159	-	853,159
2. Loans	-	-	-	-	-	-	-
Total 31/12/2020	858,807	-	858,807	-	853,159	-	853,159
Total 31/12/2019	994,234	-	994,234	-	985,179	-	985,179

E. Prudential consolidation - Credit risk measurement models

In order to assess the Credit Risk, the Bank uses a standardised method for the quantification of (current and perspective) internal capital in compliance with the guidelines set out in the budgeting and multi-year planning process.

In compliance with the supervisory provisions, the method adopted by the Bank to quantify internal capital enables to use collateral (pledge and mortgage) and personal guarantees as a form of credit risk mitigation. The bank prefers the acquisition of collateral characterised by high liquidity (listed financial instruments) and low-price volatility (Sovereign debt securities).

With a view to verifying the suitability of the internal capital, also in the event of adverse outlooks linked to the negative trend of loans, the Bank carries out stress testing during ICAAP/ILAAP reporting on the credit risk. For the performance of these tests, reference is made to macroeconomic and idiosyncratic events which include the increase in default positions, reduction in value of the guarantees and the increase in the Probability of Default.

1.2 - Market risks

1.2.1 Interest rate risk and price risk - Regulatory trading portfolio

Qualitative information

A. General aspects

The Bank defined the market risk as the risk of an unfavourable change in the value of a position in financial instruments - included in the trading portfolio for regulatory purposes - due to the adverse performance of interest, exchange and inflation rates, volatility, share prices, credit spreads, price of goods (generic risk) and creditworthiness of the issuer (specific risk).

Impacts resulting from the COVID-19 pandemic

With reference to market risk, the Bank did not detect significant impacts on the valuation of financial assets in the trading portfolio as a result of the COVID-19 pandemic. The trading portfolio is in fact of a residual amount and consists almost exclusively of financial instruments characterised by high liquidity.

B. Management processes and measurement methods for the interest rate risk and the price risk

Interest rate risk

The "trading portfolio" - as defined in the supervisory regulations - includes all financial instruments subject to capital requirements for market risks.

The trading portfolio includes:
- debt securities;
- shares;
- UCI units;
- derivatives held for trading.

Most of the debt securities in the portfolio at 31 December 2019 consist of government bonds whose overall duration is short. Share investments mainly refer to securities listed on the Italian Stock Exchange, with high liquidity. The portfolio instruments are denominated in euro.

The Managing Director and the General Management of the Bank provide strategic guidelines on market risk acceptance with regard to the purchase and dealing in trading securities.

With regard to the interest rate risk, the Bank monitors the changes in market rates and prepares a proper report that is sent to the Management.

Price risk

Price risk is the risk of capital losses on listed financial assets or assets that are similar to listed instruments due to fluctuations in the price of securities or to factors attributable to the peculiar situation of the issuer.

The Bank adopted special internal regulations that govern and limit the risk assumption with regard to some types of financial instruments and allow the continuous monitoring of the main risk indicators (VAR - Expected Shortfall - Volatility etc.)

In addition, limits were identified and prescribed in stress conditions, considering simultaneous shocks on the credit risk - spread increases and stock price contraction.

The method adopted to calculate VaR is historical; the bank uses a holding period of 2 years, a confidence interval of 99% and a daily time horizon for the quantification of the expected risk.

The trading portfolio is mainly represented by Government debt securities. As a result, price risk is associated with the specific situation of the issuer.

With regard to the equity portfolio, it should be underlined that it almost exclusively includes listed shares with a high degree of liquidity.

Lastly, with reference to market risk management, it should be specified that transactions with similar characteristics in terms complexity, type of issuer or risk are screened by the Managing Director and by the General Management, which performs a specific evaluation also with regard to the risk profiles associated with them.

Quantitative information

1. Regulatory trading portfolio: distribution of cash financial assets and liabilities and financial derivatives by residual duration (repricing date)
(Currency: Euro)

Type/Residual duration	On demand	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 years to 10 years	More than 10 years	Undated
1. Cash assets	-	13	-	-	537	2	-	-
1.1 Debt securities	-	13	-	-	537	2	-	-
- with the option of early redemption	-	13	-	-	-	-	-	-
- other	-	-	-	-	537	2	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	11,708	-	-	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	11,708	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- other derivatives	-	11,708	-	-	-	-	-	-
+ Long positions	-	5,848	-	-	-	-	-	-
+ Short positions	-	5,860	-	-	-	-	-	-

1. Regulatory trading portfolio: distribution of cash financial assets and liabilities and financial derivatives by residual duration (repricing date)
(Currency: Other currencies)

Type/Residual duration	On demand	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 years to 10 years	More than 10 years	Undated
1. Cash assets	-	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with the option of early redemption	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	11,712	-	-	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	11,712	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- other derivatives	-	11,712	-	-	-	-	-	-
+ Long positions	-	5,862	-	-	-	-	-	-
+ Short positions	-	5,850	-	-	-	-	-	-

2. Regulatory trading portfolio: distribution of exposures in equity and stock indexes in the main countries of the market

Transaction type/Listing index	Listed	Unlisted
	Italy	
A. Equities		
- long positions	1,341	-
- short positions	-	-
B. Sales not yet settled on equities		-
- long positions	74	-
- short positions	75	-
C. Other derivatives on equities		-
- long positions	-	2
- short positions	-	-
D. Derivatives on stock indices		-
- long positions	-	15
- short positions	-	15

1.2.2 Interest rate risk and price risk - Banking portfolio

Qualitative information

A. General aspects, management processes and measurement methods for interest rate risk and price risk

Interest rate risk

The interest rate risk for the banking book is defined as the current and prospective risk of profit/capital volatility due to unfavourable fluctuations in interest rates. From the definition of the interest rate risk, it is readily apparent that said risk is generated by the imbalances deriving from core business activities as a consequence of the difference in maturity and in the periods of redefinition of the interest rate conditions of assets and liabilities. The Bank's policy for managing the interest rate risk on the banking book is directed at stabilising the interest margin on the banking book.

The internal structures of the Bank monitor on a regular basis and provide adequate reporting of the interest rate risk on the banking book to the Senior Management and to the Board of Directors of the Bank. Stress tests are also carried out on a regular basis on the interest rate risk of the Repricing Gap and Duration Gap banking book. The operating limits to risk assumption were defined by the Board of Directors of the Bank and are reviewed by it on a regular basis.

The banking book comprises financial instruments (assets and liabilities) that are not in the trading portfolio. It is mainly made up of due to/from banks and customers as well as hedging derivatives.

As regards the banking book, attention is drawn to the following aspects concerning interest rate risk:

Cash assets

- debt securities, all in Euro, total 1,188 million euros and are represented by the securities present in the portfolio of Financial assets at amortised cost, amounting to 858 million euros, and those present in the Financial assets at fair value through other comprehensive income portfolio, amounting to 330 million euros. Debt securities are mainly represented by Government Bonds with 2021 maturity amounting to 824 million euros, with 2022 maturity amounting to 160 million euros, with 2023 maturity amounting to 10 million euros, with 2024 maturity amounting to 49 million euros, with 2025 maturity amounting to 41 million euros and with 2026 maturity amounting to 61 million euros;
- loans to banks (Euro and foreign currencies), totalling 126 million euros, of which 109 million euros in deposits to banks and current accounts, mainly with floating rate, 7 million euros in compulsory floating rate reserve and 10 million euros in other loans;
- loans to customers (Euro and foreign currencies), totalling 395 million euros, mainly consisting of current account credit lines of 165 million euros, loans to customers of 170 million euros, mostly with variable rate, and reverse repurchase agreements for 23 million euros.

Cash liabilities

- due to customers (Euro and foreign currencies), totalling 1,553 million euros, of which 163 million euros in fixed rate time deposits (with 2021 maturity, for a nominal amount of 32 million euros, with 2022 maturity for a nominal amount of 40 million euros, with 2023 maturity for a nominal amount of 44 million euros and maturity by 2024 for a nominal amount of 15 million euros and with 2030 maturity for a nominal amount of 32 million euros), 507 million euros in current accounts with floating rate or with revisable fixed rate, 853 million euros in repos on securities listed in regulated markets;
- due to banks (Euro and foreign currencies) relate to loans and deposits totalling 0.1 million euros;

Given the above, it may be concluded that the interest rate risk is low.

Price risk

Price risk is the risk of capital losses on listed financial assets or assets that are similar to listed instruments due to fluctuations in the price of securities or to factors attributable to the peculiar situation of the issuer.

The Bank adopted special internal regulations that govern and limit the risk assumption with regard to some types of financial instruments and allow the continuous monitoring of the main risk indicators (VAR - Expected Shortfall - Volatility etc.).

Quantitative information

1. Banking portfolio: distribution of financial assets and liabilities by residual duration (repricing date) (Currency: Euro)

Type/Residual duration	On demand	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 years to 10 years	More than 10 years	Undated
1. Cash assets	300,759	326,274	463,016	366,868	188,844	31,388	-	-
1.1 Debt securities	-	170,610	449,572	363,045	174,284	30,844	-	-
- with the option of early redemption	-	10,217	-	8,138	7,250	-	-	-
- other	-	160,393	449,572	354,907	167,034	30,844	-	-
1.2 Loans to banks	55,181	42,652	-	-	-	-	-	-
1.3 Loans to customers	245,578	113,012	13,444	3,823	14,560	544	-	-
- current accounts	161,502	-	-	-	-	-	-	-
- other loans	84,076	113,012	13,444	3,823	14,560	544	-	-
- with the option of early redemption	64,833	87,303	13,444	3,823	648	322	-	-
- other	19,243	25,709	-	-	13,912	222	-	-
2. Cash liabilities	504,523	116,873	249,344	363,478	291,618	8,069	-	-
2.1 Due to customers	504,378	116,873	249,344	363,478	291,618	8,069	-	-
- current accounts	494,123	16,655	3,925	12,747	123,363	5,588	-	-
- other payables	10,255	100,218	245,419	350,731	168,255	2,481	-	-
- with the option of early redemption	-	-	-	-	-	-	-	-
- other	10,255	100,218	245,419	350,731	168,255	2,481	-	-
2.2 Due to banks	145	-	-	-	-	-	-	-
- current accounts	145	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with the option of early redemption	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with the option of early redemption	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	-	9,638	-	-	-	-	-	-
3.1 with underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	9,638	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- other derivatives	-	9,638	-	-	-	-	-	-
+ Long positions	-	9,638	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet transactions	34,012	27,200	-	-	368	-	100	-
+ Long positions	3,172	27,200	-	-	368	-	100	-
+ Short positions	30,840	-	-	-	-	-	-	-

1. Banking portfolio: distribution of financial assets and liabilities by residual duration (repricing date) (Currency: Other currencies)

Type/Residual duration	On demand	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 years to 10 years	More than 10 years	Undated
1. Cash assets	32,570	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with the option of early redemption	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	28,090	-	-	-	-	-	-	-
1.3 Loans to customers	4,480	-	-	-	-	-	-	-
- current accounts	3,483	-	-	-	-	-	-	-
- other loans	997	-	-	-	-	-	-	-
- with the option of early redemption	-	-	-	-	-	-	-	-
- other	997	-	-	-	-	-	-	-
2. Cash liabilities	19,046	-	-	12	-	-	-	-
2.1 Due to customers	19,046	-	-	-	-	-	-	-
- current accounts	13,772	-	-	-	-	-	-	-
- other payables	5,274	-	-	-	-	-	-	-
- with the option of early redemption	-	-	-	-	-	-	-	-
- other	5,274	-	-	-	-	-	-	-
2.2 Due to banks	-	-	-	12	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other payables	-	-	-	12	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with the option of early redemption	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with the option of early redemption	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	-	9,638	-	-	-	-	-	-
3.1 with underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	9,638	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- other derivatives	-	9,638	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	9,638	-	-	-	-	-	-
4. Other off-balance sheet transactions	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

1.2.3 Exchange rate risk

Qualitative information

A. General aspects, management processes and measurement methods for exchange rate risk

Exchange rate risk management is the responsibility of the General Management and the Finance Department carries out trading, hedging and brokering activities within specific operating limits (amounts) with regard to both financial assets and liabilities denominated in foreign currencies in its own account or on behalf of customers.

Generally, the exposure to exchange rate risk is quite low and limited to temporary misalignments in opposite sign positions. The Bank keeps this risk to a minimum by monitoring the treasury exposure due to the time mismatching between asset and liability items.

B. Exchange rate risk hedging activity

At 31 December 2020, two hedges for GBP 7,000 thousand and CHF 2,000 thousand were open for the property.

Quantitative information

1. Distribution by currency of assets, liabilities and derivatives

Items	Currencies					
	US dollar	Pound sterling	Yen	Canadian dollar	Swiss franc	Other currencies
A. Financial assets	13,169	10,981	90	89	7,321	922
A.1 Debt securities	-	-	-	-	-	-
A.2 Equities	-	-	-	-	-	-
A.3 Loans to banks	12,217	8,829	89	89	5,946	920
A.4 Loans to customers	952	2,152	1	-	1,375	2
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	10	31	3	1	8	-
C. Financial liabilities	13,231	3,120	5	-	2,689	-
C.1 Due to banks	-	-	-	-	-	-
C.2 Due to customers	13,231	3,120	5	-	2,689	-
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	-	-	-	-	-	-
E. Financial derivatives	10,947	8,202	-	-	1,939	262
- Options	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-
- Other derivatives	10,947	8,202	-	-	1,939	262
+ Long positions	5,400	286	-	-	44	133
+ Short positions	5,547	7,916	-	-	1,895	129
Total assets	18,579	11,298	93	90	7,373	1,055
Total liabilities	18,778	11,036	5	-	4,584	129
Imbalance (+/-)	(199)	262	88	90	2,789	926

1.3 Derivatives and hedging policies

1.3.1 Derivatives held for trading

A. Financial derivatives

A.1 Financial derivatives held for trading: end-of-period notional values

Underlying assets/Type of derivatives	Total 31/12/2020				Total 31/12/2019			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With offset agreements	Without offset agreements			With offset agreements	Without offset agreements	
1. Debt securities and interest rates	-	-	-	-	-	-	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equities and stock indices	-	-	3,580	2,660	-	-	2,415	1,828
a) Options	-	-	900	-	-	-	587	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	2,680	2,660	-	-	1,828	1,828
e) Other	-	-	-	-	-	-	-	-
3. Currencies and gold	-	-	11,268	-	-	-	9,138	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	11,268	-	-	-	9,138	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Goods	-	-	-	-	-	-	-	-
5. Other	-	-	-	-	-	-	-	-
Total	-	-	14,848	2,660	-	-	11,553	1,828

A.2 Financial derivatives held for trading: gross positive and negative fair value - breakdown by product

Underlying assets/Type of derivatives	Total 31/12/2020				Total 31/12/2019			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With offset agreements	Without offset agreements			With offset agreements	Without offset agreements	
1. Positive fair value								
a) Options	-	-	76	-	-	-	-	94
b) Interest rate swaps	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	2	-	-	-	-	81
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	-	-	78	-	-	-	-	175
1. Negative fair value								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	40	-	-	-	-	152
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	-	-	40	-	-	-	-	152

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

Underlying assets	Central counterparties	Banks	Other financial institutions	Other entities
Contracts not covered by offset agreements				
1) Debt securities and interest rates				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
2) Equities and stock indexes				
- notional value	X	2,680	179	721
- positive fair value	X	-	19	56
- negative fair value	X	-	-	-
3) Currencies and gold				
- notional value	X	10,453	815	-
- positive fair value	X	2	-	-
- negative fair value	X	38	2	-
4) Goods				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Other				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts covered by offset agreements				
1) Debt securities and interest rates				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Equities and stock indexes				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Goods				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

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

Underlying/Residual life	Up to 1 year	From over 1 year to 5 years	More than 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	-	-	-	-
A.2 Financial derivatives on equities and stock indexes	3,038	516	26	3,580
A.3 Financial derivatives on currencies and gold	11,268	-	-	11,268
A.4 Financial derivatives on goods	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total 2020	14,306	516	26	14,848
Total 2019	10,991	562	-	11,553

1.4 Liquidity risk

Qualitative information

A. General aspects, management processes and measurement methods for the liquidity risk

The Bank defined the liquidity risk as the inability to meet own payment commitments. This risk is linked to the inability to raise funds (funding liquidity risk) or to the existence of limits for the disinvestment of assets (market liquidity risk).
Funding liquidity risk means the risk according to which the Bank and the Group companies are not able to meet their own payment commitments and obligations efficiently (compared to the "desired" risk profile and/or "fair" economic conditions) due to the inability to raise funds without compromising its core business activities and/or financial situation. Market liquidity risk means the risk according to which the Bank is able to dispose of an asset only by incurring capital losses due to the low liquidity of the reference market and/or due to the timing with which the transaction will be carried out.

The analysis of the Group's financial instruments (assets and liabilities) highlights that, overall, liquidity risk is low. In fact, the loans portfolio is mostly made up of short-term funding sources both on the interbank market and with regard to customers (as it comprises mainly on-demand loans that are directly connected with the private banking activity). Most of the securities trading portfolio is made up of highly liquid debt securities issued by countries of the Eurozone.
Concerning the sources of funding, they comprise current accounts, time deposits, repos and the issue of floating rate bonds. The concentration of the funding sources, present on primary and consolidated customers, is the consequence of the business model adopted by the Bank that entails issuing loans and providing services to highly selected customers.

The Group's overall exposure to liquidity risk is therefore maintained at modest levels thanks to the structure of the financial portfolio described above.

The ability to meet commitments promptly and economically is guaranteed by carefully monitoring the position through the use of information systems that ensure the ongoing monitoring of the liquidity requirements that are managed, where necessary, by resorting to the interbank deposits and, alternatively, to the repos market.

On the basis of the supervisory provisions, the Bank has defined the guidelines on the governance and management of liquidity risk and the methods of stress tests to be carried out. More specifically, the roles and responsibilities have been defined by the corporate bodies involved, the calculation methods of the LCR (Liquidity Coverage Ratio) and NSFR (Net Stable Funding Ratio) and the criteria to be applied in carrying out stress testing.
The short-term liquidity management policy, monitoring using the LCR indicator, includes all limits and alert thresholds that allow, both in normal market conditions and in stressful periods, for the measurement of the liquidity risk to which it is exposed. The liquidity needed to cope with any structural imbalance in the breakdown of assets and liabilities along a one-year timeframe, instead, is monitored through the NSFR indicator.
Within the liquidity risk management process, the Bank's Risk Control organisational unit:

- periodically carries out the stress tests identified by the Bank for risk measurement, performing the measurements necessary to determine the value of the LCR - (Liquidity Coverage Ratio) - indicator: (aimed at assuring that the Bank holds an amount of high quality liquid assets that enables it to withstand stress situations on the funding market for a time horizon of 30 days) and the NSF: (Net Stable Funding Ratio - indicator (aimed at assuring a structural balance of the financial statements of the bank);
- prepare the report to be sent to the Senior Management in which the liquidity risk exposure determined on the basis of stress tests is illustrated.

The analyses carried out at 31 December 2020 show that the potential outgoing cash flows are entirely covered by the inflows and by the liquidity buffer held by the Bank, and therefore no risk situations are noted.

Impacts resulting from the COVID-19 pandemic

With reference to liquidity risk, the Bank did not detect significant impacts as a result of the COVID-19 pandemic. The liquidity buffer and the eligible assets are constantly monitored and are adequate to cope with outflows even in conditions of stress.

Quantitative information

1. Time distribution of financial assets and liabilities by residual duration (Currency: Euro)

Item/Time frame	On demand	From over 1 day to 7 days	From over 7 days to 15 days	From over 15 days to 1 month	From over 1 month to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	More than 5 years	Undated
Cash assets	267,110	58,603	59	12,524	155,269	323,083	382,522	370,202	129,225	6,659
A.1 Treasury Bonds	-	-	-	-	149,808	318,999	354,792	258,061	60,001	-
A.2 Other debt securities	-	-	-	11,735	7	117	8,265	23,457	13	-
A.3 UCI units	25,881	-	-	-	-	-	-	-	-	-
A.4 Loans	241,229	58,603	59	789	5,454	3,967	19,465	88,684	69,211	6,659
- Banks	55,236	36,000	-	-	-	-	-	-	-	6,659
- Customers	185,993	22,603	59	789	5,454	3,967	19,465	88,684	69,211	-
Cash liabilities	504,147	50	4,050	8,792	103,994	250,638	362,276	291,615	8,069	-
B.1 Deposit and current accounts	493,895	50	4,050	8,102	4,463	3,900	12,864	123,360	5,588	-
- Banks	145	-	-	-	-	-	-	-	-	-
- Customers	493,750	50	4,050	8,102	4,463	3,900	12,864	123,360	5,588	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	10,252	-	-	690	99,531	246,738	349,412	168,255	2,481	-
Off-balance sheet transactions	210,796	10,078	-	267	15,672	2,709	276	32,422	7,988	-
C.1 Financial derivatives with exchange of capital	-	10,078	-	-	11,268	-	-	-	-	-
- Long positions	-	5,033	-	-	10,453	-	-	-	-	-
- Short positions	-	5,045	-	-	815	-	-	-	-	-
C.2 Financial derivatives without exchange of capital	76	-	-	-	-	-	-	-	-	-
- Long positions	76	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to lend funds	209,287	-	-	267	279	1,147	181	23,331	3,745	-
- Long positions	90,169	-	-	267	279	1,147	181	23,331	3,745	-
- Short positions	119,118	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	1,433	-	-	-	4,125	1,562	95	9,091	4,243	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

Bank "Undated Loans" refer to the deposit in the Compulsory reserve.
Item C.1 includes the value of the purchases and sales of securities not yet settled.

1. Time distribution of financial assets and liabilities by residual duration (Currency: Other currencies)

Item/Time frame	On demand	From over 1 day to 7 days	From over 7 days to 15 days	From over 15 days to 1 month	From over 1 month to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	More than 5 years	Undated
Cash assets	32,613	-	-	-	-	-	-	-	-	-
A.1 Treasury Bonds	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCI units	-	-	-	-	-	-	-	-	-	-
A.4 Loans	32,613	-	-	-	-	-	-	-	-	-
- Banks	28,117	-	-	-	-	-	-	-	-	-
- Customers	4,496	-	-	-	-	-	-	-	-	-
Cash liabilities	19,046	-	-	-	-	-	12	-	-	-
B.1 Deposit and current accounts	13,772	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	13,772	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	5,274	-	-	-	-	-	12	-	-	-
Off-balance sheet transactions	292	10,082	-	-	11,268	-	-	-	-	-
C.1 Financial derivatives with exchange of capital	-	10,082	-	-	11,268	-	-	-	-	-
- Long positions	-	5,047	-	-	815	-	-	-	-	-
- Short positions	-	5,035	-	-	10,453	-	-	-	-	-
C.2 Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to lend funds	292	-	-	-	-	-	-	-	-	-
- Long positions	146	-	-	-	-	-	-	-	-	-
- Short positions	146	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

1.5 Operating risk

Qualitative and quantitative information

A. General aspects, management processes and measurement methods for operating risk

Operating risk is defined as the risk to incur losses arising from the inadequacy or weakness in procedures, human resources and internal systems, or from external events. These include losses arising from frauds, human errors, interruptions in business activities, unavailability of systems, contractual default, natural and/or geopolitical disasters. The operating risk includes the legal risk, while it does not include strategic and reputational risks.

The Bank, albeit adopting a standardised calculation method of the operating risks, carries out their analysis/self-assessment. In order to standardise the quantification process of operating risks, the Bank has also formalised the adopted method in the document called "Management of operating risks in Banca Finnat".
The analysis of operational risks and the identification of the processes with the greatest impact are periodically carried out by the Risk Control Organisational Unit to detect in a timely manner the business areas and the processes with higher operating risk in order to take the necessary corrective actions.
In particular, the analysis focuses on the identification, within the above-mentioned operating procedures, of the activities that may generate operating risks for the Bank and of the related controls to mitigate the risks themselves.

During the year ended 31 December 2019, periodic meetings continued to be held between the Parent Company and the subsidiaries InvestiRE SGR S.p.A. and Finnat Fiduciaria S.p.A.; during the meetings the controls applied by the subsidiaries were analysed without observing any anomalies.

With regards to the quantification of internal capital supporting the operating risk, as previously mentioned, the Bank uses the basic approach under the scope of determining prudential equity requirements, as prescribed by the provisions per Regulation EU 575/2013.

In this context, the internal control function verifies that said procedures, and any revisions thereof, are correctly implemented and are observed, as well as ensuring that they comply with regulations in force.

Section 4 - Risks of other companies

At 31 December 2020, all the subsidiaries of the Parent Company belong to the Group; therefore, there are no risks of other companies.

Part F - Information on the consolidated equity

Section 1 - Consolidated equity

Qualitative and quantitative information

The Group's equity comprises the Share Capital, Reserves, Treasury Shares, Valuation Reserves and Profit (loss) for the year. All financial instruments that are not classified as financial assets or liabilities according to the IAS/IFRS are considered part of the equity.

The consolidated shareholders' equity of the Group and of Minority interests totals 262,702 thousand euros, of which the Group's shareholders' equity is 222,264 thousand euros. It is detailed in the table below.

B.1 Equity: breakdown by company type

Equity items	Prudential consolidation	Insurance companies	Other companies	Consolidation cancellations and adjustments	Total
1. Share capital	72,576	-	-	-	72,576
2. Share issue premiums	-	-	-	-	-
3. Reserves	188,995	-	-	-	188,995
4. Capital instruments	-	-	-	-	-
5. (Treasury shares)	(14,059)	-	-	-	(14,059)
6. Valuation reserves:	7,412	-	-	-	7,412
- Equities at fair value through other comprehensive income	5,325	-	-	-	5,325
- Hedges of equities at fair value through other comprehensive income	-	-	-	-	-
Financial assets (other than equities) at fair value through other comprehensive income	1,423	-	-	-	1,423
- Property and equipment	-	-	-	-	-
- Intangible assets	-	-	-	-	-
- Foreign investment hedge	-	-	-	-	-
- Cash flow hedge	-	-	-	-	-
- Hedging instruments (non-designated elements)	-	-	-	-	-
- Foreign exchange differences	-	-	-	-	-
- Non-current assets held for sale and discontinued operations	-	-	-	-	-
- Financial liabilities at fair value through profit or loss (changes of own credit rating)	-	-	-	-	-
- Actuarial profit (loss) on defined benefit social security plans	(734)	-	-	-	(734)
- Share of valuation reserves connected with investee companies carried at equity	34	-	-	-	34
- Special revaluation regulations	1,364	-	-	-	1,364
7. Profit (loss) for the year (+/-) of the owners of the parent and non-controlling interests	7,778	-	-	-	7,778
Equity	262,702	-	-	-	262,702

B.2 Valuation reserves of financial assets at fair value through other comprehensive income: breakdown

Assets/amounts	Prudential consolidation		Insurance companies		Other companies		Consolidation cancellations and adjustments		Total 31/12/2020	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	1,455	33	-	-	-	-	-	-	1,455	33
2. Equities	5,814	488	-	-	-	-	-	-	5,814	488
3. Loans	-	-	-	-	-	-	-	-	-	-
Total 31/12/2020	7,269	521	-	-	-	-	-	-	7,269	521
Total 31/12/2019	5,720	910	-	-	-	-	-	-	5,720	910

The breakdown of the valuation reserves refers to the Group and concerns almost exclusively the fair value adjustment, after taxes, of the securities held by the Bank.

B.3 Valuation reserves of financial assets at fair value through other comprehensive income: annual changes

	Debt securities	Equities	Loans
1. Initial amount	390	4,420	-
2. Positive changes	1,713	953	-
2.1 Increases in fair value	1,490	953	-
2.2 Losses for credit risk	48	X	-
2.3 Reclassification of negative reserve to the income statement	175	X	-
2.4 Transfers to other shareholders' equity components (equities)	-	-	-
2.5 Other changes	-	-	-
3. Negative changes	681	47	-
3.1 Increases in fair value	20	47	-
3.2 Recoveries on credit risk	531	-	-
3.3 Reclassification of positive reserve to the income statement: from disposal	130	X	-
3.4 Transfers to other shareholders' equity components (equities)	-	-	-
3.5 Other changes	-	-	-
4. Final amount	1,422	5,326	-

The comment of changes in Valuation reserves of financial assets at fair value through other comprehensive income is provided in part D - Statement of comprehensive income.

B.4 Valuation reserves related to defined benefit plans: annual changes

Reserves related to defined benefit plans were negative by 734 thousand euros (of which the Group's reserves amounted to 520 thousand euros and third parties' reserves amounted to 214 thousand euros). At 31 December 2019, these Reserves were negative by 844 thousand euros (of which the Group's reserves 591 thousand euros and third parties' reserves by 253 thousand euros).

Section 2 - Own funds and capital ratios

For supervisory purposes, the relevant aggregate equity is calculated based on the applicable regulations laid down by the Bank of Italy and constitutes the reference control data of the prudential supervisory regulations.

Own funds at 31 December 2020 amounted to 184,465 thousand euros (180,362 thousand euros at 31 December 2019), whereas the Total capital ratio, CET1 capital ratio and Tier1 ratio stood at 34.9% (31.6% at 31 December 2019). The Bank exercised the option to apply the transitional provisions for the deferment over time of the impacts of the application of the new accounting standard on own funds - illustrated in the section "Market disclosure information" in the Directors' Report on Operations. Without this application, Own funds would have been equal to 182,775 thousand euros, while the Total capital ratio, the CET1 capital ratio and the Tier1 ratio would have been equal to 34.7%.

For further details, please refer to the disclosure on own funds and on capital adequacy contained in the public disclosure ("Third Pillar") of the Banca Finnat Group.

Part H - Related party transactions

In terms of related party transactions, the Bank has complied with the Regulations for related party transactions, approved by the Board of Directors on 2 August 2013.

For further information on related party transactions carried out during the financial year, please refer to the paragraph in the Directors' Report on Operations.

As required by IAS 24, information on related party transactions is provided below.

1. Information on remuneration of key executives

As a result of the latest amendments made by Consob to its resolution no. 11971 of 14 May 1999 for the aforesaid information, please refer to the "Report on Remuneration" prepared in accordance with Article 123-ter of the Italian Consolidated Financial Law and according to form 7-bis of Annex 3A of the Issuers' Regulation.

2. Information on related party transactions

The following table shows the assets, liabilities, guarantees and commitments at 31 December 2020 separately for different types of related parties under IAS 24.

STATEMENT OF FINANCIAL POSITION	Financial receivables (payables)	Other receivables (payables)	Sureties issued	Available margins on sureties and irrevocable credit lines granted
ASSOCIATED COMPANIES AND JOINT VENTURES				
Imprebanca S.p.A.	(145)	-	47	-
Redo SGR S.p.A. (through InvestiRE SGR S.p.A.)	-	-	17	-
MANAGEMENT WITH STRATEGIC RESPONSIBILITIES AND COMPANY REPRESENTATIVES	(1,236)	-	-	-
OTHER RELATED PARTIES	(49)	408	50	-

Receivables (payables) for the domestic consolidated tax system and Other receivables (payables) are included in the financial statement items "Other assets" and "Other liabilities".

With regard to associated companies, the income statement items include only interest income from Imprebanca S.p.A. and amount to approximately 1 thousand euros.

Part L - Segment Reporting

A - Primary reporting

For the purpose of identifying operating segments and establishing the figures to be allocated, the segment reporting of the Banca Finnat Group is based on its organisation and management structure, along with the internal auditing system used to support the management's operating decisions.

The Banca Finnat Group operates primarily in Italy.

For IAS segment reporting purposes, the Group has adopted the "management approach", selecting as the primary representative base, for the breakdown of its statement of financial position and income statement figures, the main business sectors through which it carries out its consolidated activities and which constitute the internal reporting segments used by the Management for allocating resources and analysing the related performance. In addition to reflecting the operational responsibilities specified by the Group's organisational assets, the sectors of activity consist of the aggregation of business units that have similar characteristics with reference to the type of products and services sold.

The segments identified for providing an operation-based description of the Group results are:
- Private Banking (comprises the offer of investment services and of typical banking services to the Bank's private customers).
- Investment Banking (comprises the services offered to the Bank's institutional customers and by the company of the Natam SA Group, the treasury activity and the management and development of trading activities on its own behalf and on behalf of third parties).
- Advisory and corporate finance (comprises the consultancy services provided by the Bank in the sector of corporate finance and assistance in extraordinary finance transactions directed at corporate customers).
- Trusteeship activity (comprises the trusteeship services offered to customers through the companies of the Finnat Fiduciaria Group and Finnat Gestioni SA).
- Asset Management - Real Estate Fund Management (comprises the management of real estate funds carried out by the company of the InvestiRE SGR Group).
- Financial Holding and Governance Centre (comprises the strategic investments held by the Bank and the activities of supervision of the Group's direction, coordination and control functions; overhead costs and intra-group cancellations fall into this sector).

Income statement calculation criteria by business segment

The calculation of pre-tax profit by business segment is based on the following criteria:
- Net interest income: the Bank's interest margin, allocated in the Private Banking, Investment Banking and Financial Holding sectors, is calculated by contribution on the basis of the "Internal Transfer Rates" differentiated by products and due dates; as regards the other Group entities, the various differences between interest and similar income and interest and similar expense were allocated to the relevant Business Area.
- Net fee and commissions: these were identified through the direct allocation of the income components on various business segments.
- Net trading expense: it was attributed to the business segments that actually generated that profit.

- Dividends and similar income, Net gain from disposal orrepurchase of financial assets at amortised cost and financial assets at fair value through other comprehensive income: they are reclassified line by line on the individual sectors concerned.
- Net losses on other financial assets and liabilities mandatorily measured at fair value: they were attributed to the business segments that actually generated that profit.
- Operating costs: the aggregate includes personnel expenses, other administrative expenses (net of recovered costs), depreciation and net impairment losses on property and equipment and intangible assets, the allocations to provisions for risks and charges and other operating income, net. The operating costs of the subsidiaries go directly into the business segment in which they are included; concerning Banca Finnat, the allocation among the different business segments takes place by the application of a "cost allocation" model (in relation to specific criteria, referred to the activity carried out) for all costs for which attribution to the business centres on the basis of the unique functional position of the resources is not possible.
- Net impairment losses for credit risk associated with financial assets at amortised cost and financial assets at fair value through other comprehensive income: they are allocated line by line on the individual sectors.

Criteria for calculating the statement of financial position aggregates by business segment

Statement of financial position aggregates were calculated according to the matching concept, with costs/revenues allocated to the single segments.
In particular:
- loans to customers are the assets directly employed in the operating activities of the segment and directly attributable thereto;
- due to customers and securities issued are the liabilities that result from the operating activities of each sector that are directly attributable to that segment.

Assets/liabilities that cannot be reasonably attributed were allocated to the "Financial Holding and Governance Centre" segment.

The activities carried out in the year by the individual segments are commented on in the Directors' Report on Operations.

Consolidated aggregate income statement values for 2020 by business segment

Business segments	Private Banking	Investment Banking (*)	Advisory and Corporate Finance	Trusteeship	Asset Management Real Estate Funds	Financial Holding and Governance Centre (**)	TOTAL
Net interest income	2,906	12,982	-	19	(95)	346	16,158
Net fee and commission income	16,605	5,233	1,056	2,428	24,458	(336)	49,444
Dividends and similar income	154	48	-	-	-	1,590	1,792
Net trading expense	-	(253)	-	-	-	-	(253)
Net gain from disposal or repurchase of:	-	1,448	-	-	-	-	1,448
a) financial assets at amortised cost	-	278	-	-	-	-	278
b) financial assets at fair value through other comprehensive income	-	1,170	-	-	-	-	1,170
Net losses on other financial assets and liabilities at fair value through profit or loss	-	(56)	-	-	(146)	(197)	(399)
b) other financial assets mandatorily measured at fair value	-	(56)	-	-	(146)	(197)	(399)
TOTAL INCOME	**19,665**	**19,402**	**1,056**	**2,447**	**24,217**	**1,403**	**68,190**
Operating costs	(15,271)	(4,315)	(1,173)	(942)	(16,269)	(13,109)	(51,079)
Net impairment losses for credit risk associated with:	(2,423)	473	81	(69)	143	(3,367)	(5,162)
a) financial assets at amortised cost	(2,423)	123	81	-118	143	(3,367)	(5,561)
b) financial assets at fair value through other comprehensive income	-	350	-	49	-	-	399
Net modification gains (losses)	(185)	-	-	-	-	-	(185)
Net loss on equity investments	-	-	-	-	-	(199)	(199)
PROFIT BEFORE TAXES	**1,786**	**15,560**	**(36)**	**1,436**	**8,091**	**(15,272)**	**11,565**

(*) The data relating to the "Investment Banking" sector include the activities of the Luxembourg Management Company Natam.
(**) The data relating to "Financial Holding and Government Centre" include overhead costs and intra-group eliminations.

Consolidated aggregate income statement values for 2019 by business segment

Business segments	Private Banking	Investment Banking (*)	Advisory and Corporate Finance	Trusteeship	Asset Management Real Estate Funds	Financial Holding and Governance Centre (**)	TOTAL
Net Interest income	3,538	12,637	-	15	(107)	203	16,286
Net fee and commission income	14,774	5,911	1,621	2,391	28,543	(258)	52,982
Dividends and similar income	190	61	-	-	-	2,762	3,013
Net trading expense	-	(1,737)	-	-	-	-	(1,737)
Net gain from disposal or repurchase of:	-	706	-	-	-	-	706
a) financial assets at amortised cost	-	464	-	-	-	-	464
b) financial assets at fair value through other comprehensive income	-	242	-	-	-	-	242
Net losses on other financial assets and liabilities at fair value through profit or loss	-	(119)	-	-	303	(1,110)	(926)
b) other financial assets mandatorily measured at fair value	-	(119)	-	-	303	(1,110)	(926)
TOTAL INCOME	18,502	17,459	1,621	2,406	28,739	1,597	70,324
Operating costs	(13,768)	(4,006)	(1,151)	(942)	(19,750)	(11,927)	(51,544)
Net impairment losses for credit risk associated with:	(55)	667	(26)	(20)	8	(12,590)	(12,016)
a) financial assets at amortised cost	(55)	510	(26)	(14)	8	(12,590)	(12,167)
b) financial assets at fair value through other comprehensive income	-	157	-	(6)	-	-	151
Net modification gains (losses)	7	-	-	-	-	-	7
Net loss on equity investments	-	-	-	-	-	(175)	(175)
PROFIT BEFORE TAXES	4,686	14,120	444	1,444	8,997	(23,095)	6,596

(*) The data relating to the "Investment Banking" sector include the activities of the Luxembourg Management Company Natam.
(**) The data relating to "Financial Holding and Government Centre" include overhead costs and intra-group eliminations.

Consolidated aggregate Income statement at 31 December 2020 by business segment

Business segments	Private Banking	Investment Banking (*)	Advisory and Corporate Finance	Trusteeship	Asset Management Real Estate Funds	Financial Holding and Governance Centre (**)	TOTAL
Asset							
Financial assets at fair value through profit or loss	-	6,847	-	-	640	20,380	27,867
a) financial assets held for trading	-	6,847	-	-	-	-	6,847
c) other financial assets mandatorily measured at fair value	-	-	-	-	640	20,380	21,020
Financial assets at fair value through other comprehensive income	-	328,193	-	1,523	1	12,108	341,825
Financial assets at amortised cost	329,900	988,877	866	4,330	44,292	10,073	1,378,338
a) loans and receivable with banks	-	93,644	-	3,406	38,877	(11,364)	124,563
b) loans and receivable with customers	329,900	895,233	866	924	5,415	21,437	1,253,775
Equity investments	-	-	-	-	4,042	6,652	10,694
Liability							
Financial liabilities at amortised cost	597,033	953,028	-	268	6,028	(3,394)	1,552,963
a) due to banks	-	145	-	12	-	-	157
b) due to customers	597,033	952,883	-	256	6,028	(3,394)	1,552,806
c) securities issued	-	-	-	-	-	-	-
Financial liabilities held for trading	-	-	-	-	-	40	40

(*) The data pertaining to the "Investment Banking" sector includes the activity of the Luxembourg-based Management Company Natam.
(**) The data pertaining to "Financial Holding and Governance Centre" includes intra-group eliminations.

Consolidated aggregate Income statement at 31 December 2019 by business segment

Business segments	Private Banking	Investment Banking (*)	Advisory and Corporate Finance	Trusteeship	Asset Management Real Estate Funds	Financial Holding and Governance Centre (**)	TOTAL
Asset							
Financial assets at fair value through profit or loss	-	57,696	-	-	913	20,928	79,537
a) financial assets held for trading	-	57,696	-	-	-	-	57,696
c) other financial assets mandatorily measured at fair value	-	-	-	-	913	20,928	21,841
Financial assets at fair value through other comprehensive income	-	353,870	-	1,532	1	11,263	366,666
Financial assets at amortised cost	346,528	1,127,111	674	4,325	50,856	18,598	1,548,092
a) loans and receivable with banks	-	71,836	-	3,069	25,827	(7,764)	92,968
b) loans and receivable with customers	346,528	1,055,275	674	1,256	25,029	26,362	1,455,124
Equity investments	-	-	-	-	4,448	6,725	11,173
Liability	-	-	-	-	-	-	
Financial liabilities at amortised cost	622,428	1,183,674	-	317	6,774	2,164	1,815,357
a) due to banks	-	369	-	-	-	-	369
b) due to customers	598,375	1,182,445	-	317	6,774	2,164	1,790,075
c) securities issued	24,053	860	-	-	-	-	24,913
Financial liabilities held for trading	-	-	-	-	-	152	152

(*) The data pertaining to the "Investment Banking" sector includes the activity of the Luxembourg-based Management Company Natam.
(**) The data pertaining to "Financial Holding and Governance Centre" includes intra-group eliminations.

B - Secondary reporting

The distribution of statement of financial position and income statement figures by geographical area is not shown due to the fact that the Group operates almost exclusively in Italy.

The following table provides the information about contracts with customers required by IFRS 15.

IFRS 15 STATEMENT - FEE AND COMMISSION INCOME BY BUSINESS UNIT

Business segments	Private Banking	Investment Banking (*)	Advisory and Corporate Finance	Trusteeship	Asset Management Real Estate Funds	Financial Holding and Governance Centre (**)	TOTAL
Breakdown by type of service							
- consultancy services	858	24	1,056	-	-	1	1,939
- listed issuer services	-	1,859	-	-	-	-	1,859
- trading	3,668	1,134	-	-	-	3	4,805
- placement	3,854	8	-	-	-	6	3,868
- management	4,422	1,749	-	808	24,588	-	31,567
- delegated management	1,124	379	-	-	-	8	1,511
- distribution of insurance products	1,893	4	-	-	-	10	1,907
- distribution of third-party services	92	436	-	-	-	1	529
- other services	2,059	295	-	1,624	-	8	3,986
Total	17,970	5,888	1,056	2,432	24,588	37	51,971

Business segments	Private Banking	Investment Banking (*)	Advisory and Corporate Finance	Trusteeship	Asset Management Real Estate Funds	Financial Holding and Governance Centre (**)	TOTAL
Breakdown by assessment procedure							
Over time	11,482	4,568	961	2,432	24,529	97	44,069
At a given moment	6,488	1,320	95	-	59	(60)	7,902
Total	17,970	5,888	1,056	2,432	24,588	37	51,971

(*) The data pertaining to the "Investment Banking" sector includes the activity of the Luxembourg-based Management Company Natam.

(**) The data pertaining to "Financial Holding and Governance Centre" includes overhead costs.

PART M - DISCLOSURE ON GROUP LEASES

This section contains the information required by IFRS 16 which is not present in the other parts of the financial statements.
In particular, rights of use acquired under a lease amount to 13,561 thousand euros at 31 December 2020, of which 12,968 thousand euros relating to property leases. Lease payables amounted to 13,906 thousand euros. Please refer to said sections for more details.

Section 1 - Lessee

QUALITATIVE INFORMATION

At 31 December 2020, there were 68 leases, of which i) 22 relating to buildings; ii) 2 relating to electronic systems; iii) 44 relating to other types (of which 41 cars).

A total of 95.6% of the value of rights of use booked to statement of financial position assets refers to property leases, which primarily include properties for office and bank branch use and, to a lesser extent, employee accommodation. The property leases recognised in rights of use, all relating to assets located in Italy, have durations exceeding 12 months and typically have renewal or extinguishment options that can be exercised by the lessor and the lessee according to the legal or contractual provisions. The contracts do not make provision for forward purchases of properties; in addition, the leases do not envisage significant restoration costs.
As set out in the Banca Finnat Group's Policy, adopted by the Group companies to govern the methods of identification, evaluation and accounting recognition of leases, in the event of the signing of new rental contracts, the duration of the lease is determined by taking into account the expiry of the contracts and any options set out in the lease, such as, for example, lease extension or termination options. In particular, in the largely prevailing cases of leases drafted according to the provisions of Law 392/1978, with a contractual duration of six years and the option of tacitly renewing the six-year lease by six years, the total duration of the lease is set at twelve years. In cases in which the analysis of the individual leases results in new elements or specific situations, this general indication is superseded.

Leases relating to electronic systems, exclusively relating to the Bank, concern 0.3% of the value of rights of use recognised in statement of financial position assets.

Leases relating to other types concern 4.4% of the value of rights of use recognised in statement of financial position assets and refer, for 4.2%, to long-term rental contracts relating to cars provided to employees, directors (personal and business use) or made available to the Bank branches and other Group offices, and for the remainder to ATMs and TCRs pertaining exclusively to the Bank. Almost all car contracts have a 5-year duration and do not include an option to buy the asset. Furthermore, no provision is made for renewal options but the contracts can be extended based on management of the fleet of cars; in the event of early termination, a penalty will generally be applied. Lease fees are paid early on a monthly basis.

In 2020, the Group did not carry out any sale and leaseback transactions.

As regards sub-leasing, bear in mind that the Bank has a single sub-lease in place on a portion of a property for an insignificant amount.

Based on the provisions of the Policy, cited above, the Banca Finnat Group avails itself of the exemptions set out in IFRS 16 and, subsequently: i) the provisions regarding the recognition, initial measurement, subsequent measurement, presentation and disclosure in the financial statements of short-term leases with a duration of equal to or less than 12 months and leases in which the underlying asset is of a low value are not applied; low value means 5 thousand euros; ii) in consideration of the option in the provisions of IFRS 16.4, the Group decided not to apply the standard to any operating leases on intangible assets.

QUANTITATIVE INFORMATION

Part B - Assets in the Notes to the Financial Statements shows, respectively, the information on the rights of use acquired:

- Table 9.1 - Property and equipment used in operation: breakdown of assets measured at cost.
- Table 9.6 - Intangible assets used in operation: annual changes and Table IFRS 16 - Property and equipment used in operation: annual changes.

Part B - Liabilities shows: lease payables:

- Table 1.2 - Financial liabilities at amortised cost: breakdown by product of due to customers.
- Table 1.6 - Lease payables.

Lastly, please refer to the specific sections contained in Part C of the Notes to the Financial Statements for information concerning:

- interest income and interest expense relating to lease payables (Section 1 Interest - Tables 1.1 and 1.3);
- depreciation of right-of-use assets (Section 14 - Net losses/recoveries on property and equipment).

Section 2 - Lessor

As of today, the Group has no transactions in place involving the transfer of assets, either under an operating or finance lease.

Significant non-recurring operations and positions or transactions deriving from atypical and/or unusual operations

Pursuant to the Consob Communication DEM/6064293 of 28 July 2006, it should be noted that:

- in 2020, no non-recurring events occurred or were carried out, meaning events or operations that do not usually take place, in connection with ordinary business operations;
- no atypical and/or unusual transactions took place during 2020, either within the Group or with related or third parties. Atypical and/or unusual transactions are those operations which, due to their magnitude/importance, to the nature of the counterparty, to the subject matter of the transaction and to the method for determining the transfer price and time frame (close to the year-end), may give rise to doubts as to: the accuracy/completeness of the information set out in the financial statements, any conflict of interest, the safeguarding of the company's net worth and the protection of minority interests.

The most significant Group transactions in the 2020 financial year are commented on in a special section of the Report on Operations of the Separate Financial Statements.

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(Translation from the Italian original which remains the definitive version)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
Banca Finnat Euramerica S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the Banca Finnat Euramerica Group (the "group"), which comprise the statement of financial position as at 31 December 2020, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Banca Finnat Euramerica Group as at 31 December 2020 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and article 43 of Legislative decree no. 136/15.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of Banca Finnat Euramerica S.p.A. (the "parent") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of goodwill

Notes to the consolidated financial statements "Part A - Accounting policies": section 5 - Other matters "Risks and uncertainties and impacts of Covid-19", paragraph on "Impairment losses on assets", paragraph A.2.7 "Intangible assets"

Notes to the consolidated financial statements "Part B - Notes to the statement of financial position - Assets": section - 10 Intangible assets

Key audit matter	Audit procedures addressing the key audit matter
As a result of a number of business combinations carried out in previous years, the consolidated financial statements at 31 December 2020 include goodwill of €28 million, comprising €27.8 million recognised by the subsidiary InvestiRE SGR S.p.A. in 2015, when Beni Stabili Gestioni SGR S.p.A. and Polaris RE SGR S.p.A. were merged into it. As disclosed in the notes to the consolidated financial statements, in line with IFRS 3, the parent's directors allocated such goodwill to the asset management - real estate fund management cash-generating unit ("CGU"), which coincides with InvestiRE SGR S.p.A.'s business. The directors tested the reporting-date carrying amount of this goodwill for impairment by reference to the carrying amount of the CGU to which it had been allocated. As a result of the impairment test, the parent did not recognise any impairment losses on goodwill. Impairment testing require a high level of judgement, especially in relation to: — the expected cash flows from the CGU, calculated by taking into account the general economic performance and that of the group's sector and the actual cash flows generated by the CGU in recent years; — the financial parameters to be used to discount the above cash flows. The complexity of the above procedure has increased in 2020 due to the Covid-19	Our audit procedures included: — understanding the process adopted to prepare the impairment test adopted by the parent's directors. — gaining an understanding of the process used to draft the group's long-term plan approved by the parent's directors. — analysing the most significant discrepancies between past years' estimates and actual figures, in order to check the accuracy of the estimation process; — analysing the criteria used to identify the CGU and trace its carrying amounts to the consolidated financial statements. — assessing the main assumptions used by the directors to determine the CGU's value in use, by comparing them to external information, where available, also in the light of the financial effects of the Covid-19 pandemic; we carried out these procedures with the assistance of experts of the KPMG network; — checking the sensitivity analysis presented in the notes; — assessing the appropriateness of the disclosures about goodwill, also in the light of the increased disclosure requirements currently applicable as a result of the Covid-19 pandemic.

emergency which has severely affected economic conditions and potential future macroeconomic scenarios. For the above reasons, we believe that the measurement of goodwill is a key audit matter.	

Comparative figures

The group's 2019 consolidated financial statements were audited by other auditors, who expressed their unqualified opinion thereon on 30 March 2020.

Responsibilities of the parent's directors and board of statutory auditors ("Collegio Sindacale") for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and article 43 of Legislative decree no. 136/15 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

— identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

— obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;

— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

— conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;

— evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

— obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 1 August 2019, the parent's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2020 to 31 December 2028.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the parent in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The parent's directors are responsible for the preparation of the group's reports on operations and on corporate governance and ownership structure at 31 December 2020 and for the consistency of such reports with the related consolidated financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the report on operations and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the group's consolidated financial statements at 31 December 2020 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the report on operations and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the group's consolidated financial statements at 31 December 2020 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Rome, 30 March 2021

KPMG S.p.A.

(signed on the original)

Riccardo De Angelis
Director of Audit

ATTESTAZIONE DEL BILANCIO CONSOLIDATO AI SENSI DELL'ART. 81-TER DEL REGOLAMENTO CONSOB N. 11971 DEL 14 MAGGIO 1999 E SUCCESSIVE MODIFICHE E INTEGRAZIONI

2. I sottoscritti Arturo Nattino in qualità di Amministratore Delegato e Giulio Bastia in qualità di Dirigente preposto alla redazione dei documenti contabili societari di Banca Finnat Euramerica S.p.A. attestano, tenuto anche conto di quanto previsto dall'art. 154-bis, commi 3 e 4, del decreto legislativo 24 febbraio 1998, n. 58:
   - l'adeguatezza in relazione alle caratteristiche dell'impresa e
   - l'effettiva applicazione

   delle procedure amministrative e contabili per la formazione del Bilancio consolidato al 31 dicembre 2020.

4. Al riguardo non sono emersi aspetti di rilievo.

5. Si attesta, inoltre, che:
   5.1. il Bilancio consolidato:
      d. è redatto in conformità ai principi contabili internazionali applicabili riconosciuti nella Comunità europea ai sensi del regolamento (CE) n. 1606/2002 del Parlamento europeo e del Consiglio, del 19 luglio 2002;
      e. corrisponde alle risultanze dei libri e delle scritture contabili;
      f. è idoneo a fornire una rappresentazione veritiera e corretta della situazione patrimoniale, economica e finanziaria dell'emittente.

   3.2 La Relazione sulla gestione comprende un'analisi attendibile dell'andamento e del risultato della gestione, nonché della situazione dell'emittente, unitamente alla descrizione dei principali rischi e incertezze cui sono esposti.

Roma, 19 marzo 2021

L'Amministratore Delegato

(Arturo Nattino)

Il Dirigente preposto alla redazione dei documenti contabili societari

(Giulio Bastia)

SHAREHOLDERS' RESOLUTIONS OF 30 APRIL 2021

Extraordinary section

Proposals to modify articles 5, 7, 12, 12-*bis*, 13-*bis*, 15, 16 and 20 of the company bylaws. Elimination of art. 25. Proposal to renumber bylaw articles; related and consequent resolutions.
The Shareholders' meeting approved the proposal to modify the bylaws by a large majority, with 18 shareholders representing 268,835,948 ordinary shares voting in favour and 1 shareholder representing 4,870,491 ordinary shares abstaining.

Ordinary section

1. *Separate financial statement closed on 31 December 2020 complete with the relative reports from the Board of Directors, Board of Auditors and the Company entrusted with the legal auditing of accounts. Presentation of the consolidated financial statement at 31 December 2020. Related and consequent resolutions.*

    1.1. Approval of separate financial statement.
    The Shareholders' meeting approved the proposal by a large majority, with 18 shareholders representing 268,835,948 ordinary shares voting in favour and 1 shareholder representing 4,870,491 ordinary shares abstaining.

    1.2. Resolutions on the appropriation of the year's profit.
    The Shareholders' meeting approved the board's proposal on appropriation of profit by a large majority, with 18 shareholders representing 268,835,948 ordinary shares voting in favour and 1 shareholder representing 4,870,491 ordinary shares abstaining.

2. *Appointment of the members of the Board of Directors for the financial years ending 31 December 2021, 2022 and 2023; related and consequent resolutions.*

    2.1. Determination of the number of members of the Board of Directors.
    The Shareholders' meeting approved the proposal of majority stakeholder Arturo Nattino, holder of 78,654,240 shares (held in trust) equal to 21.675% of the share capital, to set the number of board of directors' members for the years 2021-2022-2023 to 10, subject to enrolment on the Companies Register of the amendment of art. 12 of the bylaws pursuant to the first and last point on the agenda in the extraordinary section.
    The proposal was approved by a large majority, with 18 shareholders representing 268,835,948 ordinary shares voting in favour and 1 shareholder representing 4,870,491 ordinary shares abstaining.

    2.2. Appointment of the members of the Board of Directors.
    The Shareholders' meeting approved by a large majority the proposal of majority stakeholder Arturo Nattino, holder of 78,654,240 shares (held in trust) equal to 21.675% of the share capital, with 12 shareholders representing 268,743,508 ordinary shares voting in favour, 6 shareholders representing 92,440 ordinary shares voting against, and 1 shareholder representing 4,870,491 ordinary shares abstaining.
    The following are therefore appointed to the Board of Directors for the years 2021 - 2022 - 2023 and until approval of the financial statement of 31 December 2023:
    1. Marco Tofanelli
    2. Lupo Rattazzi

3. Arturo Nattino
4. Maria Teresa Bianchi (Independent)
5. Vincenzo Marini Marini (Independent)
6. Paola Pierri (Independent)
7. Giulia Nattino
8. Maria Sole Nattino
9. Roberto Cusmai
2. Ermanno Boffa.

2.3. Determination of the remuneration of the members of the Board of Directors.

The Shareholders' meeting approved the proposal of majority stakeholder Arturo Nattino, holder of 78,654,240 shares (held in trust) equal to 21.675% of the share capital, to establish the following:

1) Euro 15,000 in gross annual remuneration due pro rata temporis to each board member;

2) Euro 80,000 in gross annual remuneration due pro rata temporis to the Chair of the Board of Directors, in addition to the above board member's remuneration;

3) Euro 10,000 in gross annual remuneration due pro rata temporis to the Deputy Chair of the Board of Directors, in addition to the board member's remuneration;

4) Euro 90,000 to be divided among the members of the internal board committees.

The proposal was approved by a large majority, with 18 shareholders representing 268,835,948 ordinary shares voting in favour and 1 shareholder representing 4,870,491 ordinary shares abstaining.

3. Appointment of the Honorary Chair and determination of the term of office; related and consequent resolutions.

The Shareholders' meeting approved the proposal of majority stakeholder Arturo Nattino, holder of 78,654,240 shares (held in trust) equal to 21.675% of the share capital, to appoint Giampietro Nattino as Honorary Chair for the same duration as the newly appointed Board of Directors, i.e. for the years 2021, 2022 and 2023 and up to the approval of the financial statement of 31 December 2023.

The proposal was approved by a large majority, with 12 shareholders representing 268,743,508 ordinary shares voting in favour, 6 shareholders representing 92,440 ordinary shares voting against, and 1 shareholder representing 4,870,491 ordinary shares abstaining.

4. Appointment of the members of the Board of Auditors for the financial years ending 31 December 2021, 2022 and 2023; related and consequent resolutions.

4.1. Appointment of the members of the Board of Auditors and its Chair.

The Shareholders' meeting approved the proposal of majority stakeholder Arturo Nattino, holder of 78,654,240 shares (held in trust) equal to 21.675% of the share capital, to appoint 3 Acting Auditors and 2 Alternate Auditors for the years 2021-2022-2023, namely:

1 Salvatore Ferri (Chair of the Board of Auditors)
2 Laura Bellicini (Acting auditor)
3 Barbara Fasoli Braccini (Acting auditor)
A. Nicola Pironti di Campagna (Alternate auditor)
B. Monica Petrella (Alternate auditor)

The proposal was approved by a large majority, with 18 shareholders representing 268,835,948 ordinary shares voting in favour and 1 shareholder representing 4,870,491 ordinary shares abstaining.

4.2. Determination of the remuneration of the members of the Board of Auditors.

The Shareholders' meeting approved the proposal of majority stakeholder Arturo Nattino, holder of 78,654,240 shares (held in trust) equal to 21.675% of the share capital, to set at Euro 55,000 and Euro 45,000 the gross annual remuneration due pro rata temporis to the Chair of the Board of Auditors and to each of the Acting Auditors, respectively. In the event the Auditors are appointed as members of the Supervisory Committee pursuant to art. 6 Leg. Dec. 231/2001, each appointed Auditor will receive a further gross annual remuneration due pro rata temporis of Euro 5,000.

The proposal was approved by a large majority, with 18 shareholders representing 268,835,948 ordinary shares voting in favour and 1 shareholder representing 4,870,491 ordinary shares abstaining.

5. *Report on the remuneration policy and on the fees paid pursuant to art. 123-ter of Leg. Dec. 58/98 and 84-quater of the Regulation adopted by Consob with resolution no. 11971 of 14 May 1999, including information on the remuneration policies for Directors, Employees and Consultants not bound by an employment relationship. Related and consequent resolutions.*

5.1. Binding resolution on the first section of the report on the remuneration policy, drawn up pursuant to art. 123-*ter*(3) of Leg. Dec. 58/1998.

The shareholders' meeting

- examined the Report on the remuneration policy and on the fees paid, drawn up by the Board of Directors, setting out the remuneration policy for members of the Board of Directors, CEOs and directors with strategic responsibilities and, notwithstanding that envisaged by art. 2402 of the Italian Civil Code, members of the Board of Auditors, adopted by the Company for the financial year 2021;
- considering that, pursuant to art. 123-*ter*, paragraph 3-*ter*, of Leg. Dec 58 of 24 February 1998, the Meeting is called to express a binding vote on the first section of the aforementioned Report, it voted to approve the first section of the "Report on the remuneration policy and on the fees paid".

The proposal was approved by a large majority, with 18 shareholders representing 268,835,948 ordinary shares voting in favour and 1 shareholder representing 4,870,491 ordinary shares abstaining.

5.2. Non-binding resolution on the second section of the report on fees paid, drawn up pursuant to art. 123-*ter*(4) of Leg. Dec. 58/1998.

The ordinary meeting of shareholders approved the proposal by a large majority, with 18 shareholders representing 268,835,948 ordinary shares voting in favour and 1 shareholder representing 4,870,491 ordinary shares abstaining.

Share Capital	€ 72.576.000 Fully paid up	Telephone	+39 06 69933.1
Registerd office	00186 Rome - Palazzo Altieri - Piazza del Gesù, 49	Fax	+39 06 6784950
R.E.A. Reg. No.	444286	Website	www.bancafinnat.it
Tax Identification No.	00168220069	E-mail	banca@finnat.it
VAT Registration No.	00856091004	Investor Relations	investor.relator@finnat.it
Unique Code (SDI)	IOPVBGU		

The Company is listed on the official market and its shares are admitted to trading on the STAR segment.
The above data refers to the Parent Company Banca Finnat Euramerica S.p.A.

www.bancafinnat.it